The Economist

May 7th, 2011



Politics this week



After a decade-long manhunt **Osama bin Laden** was killed in a daring raid. A two-year intelligence effort led American special forces to a compound in the Pakistani city of Abbottabad, just north of Islamabad, where they shot al-Qaeda's leader. His body was buried at sea to prevent jihadists from creating a shrine. With Mr bin Laden found to have been living comfortably in an urban area, some concluded that he had been sheltered by elements of the Pakistani security services. The Americans did not notify Pakistan about their operation for fear that it would be compromised. See article

News of Mr bin Laden's death brought celebratory crowds into the streets of some cities, notably New York and Washington. But the mood soon turned to sombre remembrance of September 11th 2001 and for the thousands of other mostly Muslim victims around the world of Mr bin Laden's *jihad*. Barack Obama was praised, including by Republicans, for his supervision of the operation. Later the president prepared to go to **Ground Zero** to mark the demise of al-Qaeda's founder. See article

The death toll from a spate of **tornadoes** that hit southern states at the end of April rose to at least 340. In Alabama alone 250 people were killed. See article

Nothing to be proud of

Portugal agreed to the terms of a euro78 billion ($116 billion) bail-out with the European Union and the IMF. Jose Socrates, the country's caretaker prime minister, boasted that he had achieved a better deal than Greece and Ireland, the two other euro-zone countries that have accepted rescue packages. Portugal holds a general election on June 5th. See article

The European Commission said that countries inside the **European Union's** passport-free Schengen area should be allowed temporarily to reimpose border checks when faced with large numbers of migrants. France and Italy had asked the commission to consider revising the Schengen rules after arguing over the handling of tens of thousands of migrants from north Africa.

Power surge



After five years of minority government, the Conservative Party won a parliamentary majority in **Canada's** federal election. The centrist Liberals lost more than half their seats, and were replaced as the official opposition by the leftish New Democrats. Quebec's separatist Bloc Quebecois lost 90% of its seats and was nearly eliminated from Parliament. See article

Mexico's Congress passed a tougher competition law. Collusion will now be punished by up to ten years in prison, and first-time offenders will be subject to a maximum fine of 10% of annual sales. See article

Prosecutors in **Honduras** dropped corruption charges against Manuel Zelaya, the country's former president, who was ousted in a coup backed by the courts and legislature in 2009. The decision means that Mr Zelaya is free to return home without fear of arrest, and should pave the way for Honduras to be readmitted to the Organisation of American States.

French investigators recovered both the flight-data and cockpit-voice recorders from an **Air France** plane that crashed into the Atlantic Ocean while flying from Rio de Janeiro to Paris in 2009, killing 228 people.

The people, united?

After years of internecine conflict, Fatah and Hamas, the two biggest **Palestinian** factions, signed an agreement to back a government of national unity. **Israel's** prime minister, Binyamin Netanyahu, condemned the reconciliation. See article

The **Syrian** government sent tanks into restive cities across the country. Its security forces detained several thousand protesters and political opponents, and killed more than 100 more people, bringing the death tally to at least 600 since protests began. See article

A NATO air strike in Tripoli killed one of Muammar Qaddafi's sons, Saif al-Arab, and three of the **Libyan** leader's grandchildren. As the fighting continued between rebels and government forces, the chief prosecutor of the International Criminal Court said he wanted to arrest three (unnamed) individuals in Libya for crimes against humanity.

Bahrain said that 47 doctors and nurses who defied the government by treating protesters injured by security forces during anti-government demonstrations in March would be prosecuted.

Two **Rwandan** warlords were put on trial in Germany for atrocities committed in Congo.

Coping with the costs

Opposition parties joined **Japan's** government in passing a Â¥4 trillion ($50 billion) emergency budget to bring disaster relief to the areas devastated by the earthquake and tsunami of March 11th. More reconstruction packages will follow, bringing with them contentious tax rises and yet more government borrowing.

Thailand's prime minister, Abhisit Vejjajiva, prepared the country for what he said would be a landmark general election, a year after the army crushed opposition protests in Bangkok. The election could take place in June or July. Human Rights Watch published a report that blamed the red shirts for plenty of last year's violence, but also accused Thai soldiers of violating human rights. See article

Singaporeans prepared to vote in an election on May 7th. The People's Action Party looked set to win another whopping majority, but had to contest 82 of its 87 seats, having defended just 47 last time. Support for the PAP has been diminishing, even as the economy races along, mostly because of opposition to its liberal immigration policy.



May Day marked the beginning of one of **China's** more ambitious projects: to ban smoking in public places. On buses, in restaurants, bars and hospitals-the Chinese were told to stop smoking in public. With 350m smokers, China burns through a third of the world's cigarettes every day. Around 8% of the state's revenue comes from tobacco.

The United Nations forecast that the **world's population** would reach 7 billion on October 31st, a bit earlier than predicted, and could reach 10 billion by 2100.

The last living combat veteran of the **first world war** died at the age of 110. Claude Choules, who lived in Australia, joined the Royal Navy as a young man and witnessed the surrender of the German fleet in 1918.

Business this week

America's Justice Department filed a lawsuit against **Deutsche Bank** and one of its subsidiaries for allegedly hiding the poor quality of some of the mortgages it submitted to be covered by a federal mortgage-insurance scheme. The government claims it has paid $386m in insurance claims on 3,100 mortgages because of the German bank's actions, but is seeking damages of more than $1 billion in its suit.

Dancing on the ceiling

Timothy Geithner, America's treasury secretary, informed Congress that he was implementing a series of "extraordinary measures", such as suspending bond sales that fund local infrastructure projects, because an agreement on raising the federal **debt ceiling** seems unlikely before May 16th, when the limit will be reached. Mr Geithner said the Treasury's measures would allow the government to keep borrowing until August 2nd unless there is a deal.

In one encouraging sign of compromise over raising the debt ceiling, Republicans acknowledged that a deal with the White House on their controversial **budget** ideas for Medicare and other policies would not be reached, but offered to keep talking.

It emerged that Mexico's central bank bought 93.3 tonnes of **gold** worth $4.3 billion during February and March, one of the largest official purchases of the precious metal in recent years. The central banks of big developing economies have been increasingly turning to bullion to diversify their assets away from currencies.

Chrysler reported its first profitable quarter since 2006. It made net income of $116m in the first three months of the year. The Detroit carmaker emerged from bankruptcy two years ago in a partnership agreement with Fiat. The Italian company recently said it was raising its stake in Chrysler to 46%, with the aim of holding a majority of shares by the end of the year.

Murdoch at the wheel?

In a joint statement News Corporation and EXOR, the investment company of Fiat's founding Agnelli family, announced that they were hoping to set up a consortium with "a view to formulating a long-term plan" for the development of **Formula One**, the premier international motor-racing championship. Fiat is the controlling shareholder in Ferrari, which races in the tournament. Formula One is owned by CVC Capital Partners, a private-equity firm, although the sport is still run by Bernie Ecclestone, who turned it into a global hit.

Intel claimed a breakthrough in transistor technology by announcing that it was ready to use its 3D Tri-Gate chip, first unveiled in 2002, in high-volume manufacturing. The company said that its 3D chip would usher in "the next era of Moore's law", meaning that microchips would keep growing rapidly more powerful.

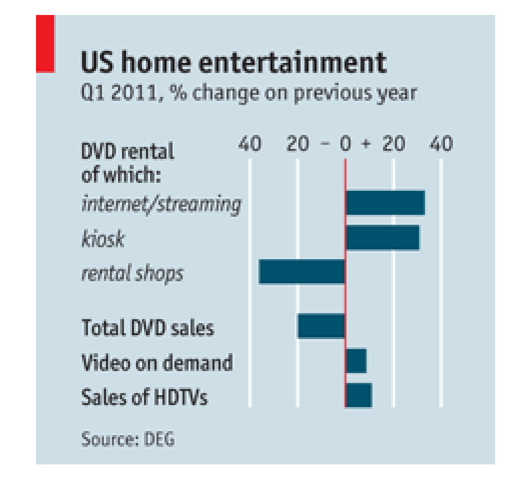
Warren Buffett admitted that he had made "a big mistake" in his handling of the events leading to the resignation of David Sokol, who had been considered a potential successor to Mr Buffett at Berkshire Hathaway. In remarks to shareholders, Mr Buffett also said that Mr Sokol's purchase of shares in a company shortly before he recommended Berkshire buy it was "inexcusable and inexplicable". Mr Buffett came in for some rare criticism when the scandal broke in March.

Glencore, a mining and commodities company based in Switzerland, set a share-price range of pound4.80-5.80 ($7.90-9.60) for its stockmarket flotation in London. This was lower than expected, though with investors clamouring for a slice of the initial public offering, the share price is expected to climb once trading commences. Ivan Glasenberg, Glencore's boss, stands to reap almost $10 billion.

Teva, an Israeli generic-drugs-maker, agreed to buy **Cephalon**, an American company specialising in branded pharmaceuticals, in a friendly deal valued at $6.8 billion. Teva's offer for Cephalon was considerably higher than that put forward last month in a hostile bid from **Valeant**, a Canadian rival.

Renren, China's biggest social-networking site, sometimes called the Chinese Facebook, raised $743m in its IPO in New York, the latest in a string of share offerings by Chinese technology companies in America. Renren's share price soared on the first day of trading.

Depreciating Valued Discs



DVD sales in America fell by 20% over the past year, according to the Digital Entertainment Group, an industry body. Rentals at DVD stores declined even further, by 36%. The data underline the challenges faced by Hollywood from the loss of what used to be a steady earner. Although sales through online DVD subscriptions and at supermarket kiosks have risen, they generate smaller revenues for the studios.

Index | The world this week

KAL's cartoon



Index | Leaders

Osama bin Laden

Now, kill his dream

Osama bin Laden's brand of brutal jihad is losing its appeal in the Arab world



A FEW bullets were enough. But the shots that killed Osama bin Laden in the dead of night on May 2nd in a fortified compound not far from Islamabad came after 15 years of dogged pursuit, two long wars in Iraq and Afghanistan, well over $1 trillion of spending and around 150,000 deaths. It is a heavy reckoning for one man's life.

Barack Obama, America's president, will justifiably savour a moment so dearly bought. A reluctant warrior in other ways, he has not wavered in hunting down the foot soldiers and commanders of al-Qaeda as well as its elusive leader. The president chose a manned assault directly on Mr bin Laden rather than an air strike on his compound, as some of his advisers wished, and it paid off. Mr Obama was lucky, but he made his luck-and he deserves the credit that will now come his way (see Lexington).

Mr Obama has been careful to warn that violent Islamism is still a dangerous force. Al-Qaeda is active, even without Mr bin Laden (see article). The alarming problems of Pakistan, Yemen and so many other places threaten to feed more violence. And yet the death of the world's most wanted man comes just when radical Islam looks vulnerable to the changes sweeping across the Middle East and north Africa. The task now facing all those who yearn for a safer world is to isolate Mr bin Laden's savage *jihad* just as surely as its creator was isolated behind his compound walls.

The man who warped a faith

Mr bin Laden matters because he swept up a ragbag of local grievances into a brand of intoxicating and violent *jihad* with worldwide pretensions. His vision, however impractical, of purging Islam and establishing a single Islamic caliphate appealed to Muslims disgusted by the venality of their own elites. His means of bringing it about embraced an orgy of murder and martyrdom partly directed against the "Crusader" West, particularly America. Sad to say, that also appealed to many Muslims for a while. And the whole package was decked with the riches-to-rags story of Mr bin Laden himself-a man who had given up power and wealth in Saudi Arabia, lived simply and seemed almost charmed in his capacity to defy the mightiest army in history (see Obituary).

Terrorists dream of setting the agenda, and in two ways Mr bin Laden succeeded beyond imagination. For many people, especially non-Muslims, the central place he reserved for violence tainted the whole of Islam. Even as Westerners came to fear bloodthirsty and barbaric Muslims, Muslims deplored degenerate and imperialist Christians. Mr bin Laden's brand of hatred thrived on both those grotesque stereotypes.

And by framing the fight as a clash of civilisations, he could draw the West into a global war on terror. The attacks of September 11th 2001 tipped America and the West into a fight that exacted a terrible price in blood and treasure. At home, America has diverted vast resources into a security bureaucracy. Abroad, it has been distracted from the historic challenge that American power faces in Asia.

Along the way, America has compromised the values that are its greatest strength. This was partly by accident, because war is always cruel and messy, but also by design, through the torture of jihadist detainees and the oblivion of Guantanamo. It is not yet clear whether finding Mr bin Laden depended on torture (it probably never will be clear, given that the interrogator's lead identifying Mr bin Laden's courier took years to bear fruit). What is certain is that his message prospered because he could dismiss America's commitment to freedom and human rights and claim that the country abused Muslims.

That message is potent enough to survive Mr bin Laden's death. Stuck in his compound, without a telephone or the internet, he had anyway become a remote figure. The al-Qaeda franchise, spread across the Sahel, in the Arabian peninsula and in cells around the world, will surely now seek to prove its potency. The hope is that the computers, discs and drives American special forces seized during their raid will wreck such plans. Terrorism being what it is, though, an attack sooner or later has every chance of succeeding.

Strategic failure

Even if it does, that should not obscure the fact that Mr bin Laden's infamy in the West is losing its power to inspire his own people. This partly reflects the failure of violence to accomplish the goals he set himself in the Muslim world. Despite years of bloody strife, the Western way of life has continued to encroach on Muslims. *Jihad* has failed to banish non-Muslim troops from Islamic countries. Western forces remain in Iraq and Afghanistan. Kashmir is home to the Indian army, and Chechnya to the Russians. Israel still flourishes. Not one treacherous Arab government has yielded to the caliphate.

More than that, Mr bin Laden's desire to murder his way to salvation has at last aroused widespread disgust among Muslims. After al-Qaeda slaughtered Shia and Sunni Muslims in their thousands in Iraq, even fellow jihadis began to condemn his doctrine of *takfir*, under which radicals took it upon themselves to declare other Muslim apostates and kill them. According to a poll by the Pew Research Centre, confidence in Mr bin Laden in the Palestinian territories has fallen from 72% in 2003 to 34% now. In Jordan it is down from 56% to 13%.

That still leaves a huge reservoir for recruits, but they have been hard to spot in the uprisings sweeping the Arab world. So far the Arab spring has cast violent *jihad* to the margins. When young Egyptians crowded into Cairo's Tahrir Square, they wanted rights, not a caliph. Even the Muslim Brothers look as if they will opt for civil society rather than theocracy.

Political change in the Arab world will be neither smooth nor immediate. In some places it is sure to go wrong; in others it may yield to hardline Islam. And yet, thanks to the Arab spring, Islam stands its best chance in generations of re-engaging with politics to found institutions in which religious and civil life can coexist. That would be a devastating refutation of Mr bin Laden's ideology of universal Muslim struggle.

How to encourage it? First, don't relent on counter-terrorism. Al-Qaeda will need stopping for years to come. Second, recognise that jihadists will be defeated mainly by Muslims themselves. That means stabilising the crescent of Muslim countries, mostly outside the Arab world, where broken government has allowed terrorism to gain a hold. All are hard cases. Some, like Somalia and Mali, are only susceptible to containment at best. Afghanistan is close enough to the drawdown of NATO troops in 2014 not to pull out in haste. Most worrying of all is Pakistan (see Banyan). In spite of what looks like duplicity over Mr bin Laden's hiding place, the nuclear power is too dangerous to abandon. Better for America to hold Pakistan close than cut it loose.

And last there are the Arab countries. Peace between Israel and the Palestinians would help (see article); but more vital is Western support for the aspirations of the Arab spring. When Mr bin Laden struck on 9/11 the West had few means of defending itself but by attacking him directly and by striking a Faustian bargain with the Arab world's oppressive rulers. His death comes when Arab opinion is at last flowing in a new direction. It is too good a chance to waste.

Index | Leaders

Palestinian reconciliation

Nudge it along

The West and Israel, for their own good, should encourage Palestinians to get together



AMID the joy of the Arab awakening, the most stubbornly insoluble of all the Middle East's problems, the argument between Jews and Arabs over the Holy Land, seemed almost forgotten and perhaps better shelved for the next few years. No more. The upheavals elsewhere in the Arab world are affecting even the Palestinians-and by extension the Israelis. On May 4th the two main Palestinian factions, Fatah and Hamas, bloodily at odds for many years, signed an historic agreement to support a national-unity government in the Palestinian territories: the Gaza Strip, now ruled by Hamas, and the West Bank, ruled by an authority under the sway of Fatah.

The Israeli government under Binyamin Netanyahu has rubbished the Palestinian deal, declaring that it will shun any Palestinian administration that includes or is backed by the Islamists of Hamas, because it doggedly refuses to recognise Israel. If he sticks to his word, the prospect of meaningful Israeli-Palestinian negotiations in the near future is zero. Mr Netanyahu's loathing of Hamas is understandable, yet he is wrong to scorn Palestinian reconciliation. The Hamas-Fatah deal is good news, because peace between Palestinians could be a stepping stone on the road to peace with Israel.

Hard for everyone

True reconciliation between the Palestinians, once their broad-brush accord is signed, will not be easy (see article). For a start, it is unclear how the Palestinians, whose own forces have been killing each other for years, would police the two territories. Israel could seek to kibosh the arrangement, for instance by continuing to refuse to let the Palestinians receive customs revenue that it previously agreed to pass on. And it is uncertain if Israel would allow elections to be held within a year, as the agreement requires, bearing in mind Hamas's victory last time round, in 2006.

Many Israelis would welcome any such action to snarl up a Hamas-backed Palestinian government. During the Palestinian *intifada* (uprising) that fizzled out in 2004, Hamas sent scores of suicide-bombers to blow up Israelis. Since it took over Gaza in 2007, it has fired hundreds of rockets at Israeli civilians. Its charter is anti-Semitic. Only this week one of its leaders, Ismail Haniyeh, in a moment of crass folly, deplored the death of Osama bin Laden, calling him a "holy warrior".

Why would Israel contemplate co-operating with such an outfit? For the self-interested reason that a united but tough Palestinian front would be better able to make peace with Israel than a divided one. There are two stages to this process. The first would be for Israel to establish a working relationship with a Palestinian unity government. In this respect, it should judge Hamas by its behaviour, not by its words. Egypt, whose previous government hated Hamas, now looks set to open its border with Gaza, thus loosening the siege which Israel has imposed on the territory since Hamas's takeover. But it should make Hamas pay a price for such gains. For one thing, Hamas should free Gilad Shalit, an Israeli soldier it captured nearly five years ago. For another, it should stop those rockets. At the very least it must declare and enforce a long-term ceasefire as a hoped-for prelude to a complete disavowal of violence.

The second stage, if it is clear that Hamas accepts Fatah's peaceful approach, would be to pull it into a revived peace process. Though clinging to a violent ideology, it has been groping crabwise towards an accommodation. In the past five years it has eschewed suicide-bombing and slapped down factions in Gaza that still want to fight. Its leaders, including Mr Haniyeh but more notably its top man, Khaled Meshal, have said they would accept two states on either side of the border that existed before 1967 if the Palestinians, including those in the diaspora, agreed to it in a referendum. They dangle the prospect of a long-term ceasefire that might become a lasting peace. They imply they would recognise Israel once territorial and other deeply contentious issues are settled.

But that vexed question remains. Why should Israel contemplate negotiation with a movement that formally refuses to accept its existence, whereas Fatah and the Palestinians who run the West Bank recognised Israel more than two decades ago? It has every reason to be wary. Yet the Arab spring may encourage Hamas at last to follow suit. It has been weakened by the turmoil in Syria, hitherto its chief obstructionist sponsor. The rejuvenated Egyptians may tease it along. And the Europeans, who froze it out after its election victory in 2006, should search anew for ways to bring it in from the diplomatic cold. As for the Americans, their main task must be to persuade Mr Netanyahu, whose lack of goodwill towards even the most moderate Palestinians was largely responsible for the breakdown in negotiations last September, that he should give this Palestinian unity deal a chance.

Canada's general election

Harper leads into new territory

How to interpret the Conservative prime minister's decisive win-and how he should use his new mandate



AT LAST the deadlock has been broken. In an election on May 2nd, after seven years in which no party has enjoyed a majority in Canada's House of Commons, Stephen Harper, the prime minister for the past five of them, won a clear mandate for his Conservative Party. In doing so, he can claim to have redrawn his country's political map (see article). Only a few years ago, it was the Liberals who were Canada's "natural party of government". But they have been humiliated. Not only did their leader, Michael Ignatieff, fail to win his seat, but they were outflanked to their left by the New Democrats (NDP), a niche party that now becomes the official opposition. The NDP did especially well in French-speaking Quebec, at the expense of the separatist Bloc Quebecois.

Two sets of reasons explain this shift in the political landscape. The first is that Canada is quietly changing. The Liberals ruled for most of the 20th century by offering consensual, centrist politics with a dash of European social democracy to a

coalition of industrial workers, the suburban middle class and immigrants. But the Liberals' industrial base has contracted and Canada's centre of economic gravity has shifted, westward and towards natural resources. And many immigrants have discovered that they rather like the Conservative appeal to the rugged individualism and family values of the Prairies.

Secondly, Mr Harper out-fought and out-thought his opponents. Mr Ignatieff, a former academic, unwisely triggered an election for which his party was ill-prepared by choosing to bring down the government over its contempt of parliament in concealing the true cost of new fighter jets and prisons. That was an important issue of principle, to be sure, but hardly one that swayed many voters. They proved more susceptible to relentless Conservative ads portraying Mr Ignatieff as an elitist. Mr Harper stuck to a simple mantra: his successful stewardship of the economy, promises of tax cuts, stronger defence and tougher measures against crime. Mr Ignatieff tacked to the left, seeking to match the NDP's promises of federal largesse. In doing so he surrendered the centre ground to the Conservatives. That should be reason enough for the next Liberal leader to hesitate before heeding calls to merge with the NDP.

Within this broader narrative, there is a subplot. For 20 years the Bloc Quebecois has been a spoiling force in Ottawa. Its near-annihilation does not mean that Quebec separatism is spent, but at least many more Quebeckers now seem to want to play a more constructive role in federal politics.

Don't forget the moderate majority

Mr Harper is doubtless delighted that the NDP's rise turns politics into a straight fight between right and left. Liberal commentators see in Mr Harper, and his remaking of Canadian conservatism as a more aggressive and right-wing force, a northern cloning of George Bush and today's American Republican Party. If so, the prime minister should not be lulled by the clear result delivered by the first-past-the-post electoral system into imagining that Canadians have become tea-partiers. His new majority, secured with only 39.6% of the vote, allows him to press on with some useful measures, such as a cut in corporate tax. But it also means that he has no excuse for not tackling difficult issues such as health-service and pension reform, and environmental policy. And it makes it all the more important that his government is clearly accountable to parliament and acts less secretively than it did when in a minority.

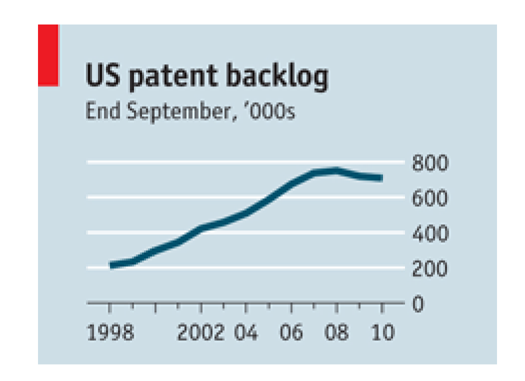
In victory Mr Harper insisted that he will spend the next four years "governing for all Canadians". That is good advice, and he should follow it-otherwise he may find that reports of the death of Liberal Canada are premature.

Index | Leaders

Intellectual property and the economy

Patently absurd

If America wants more innovation, why on earth is it cutting the budget of its Patent Office?



INNOVATION and jobs have become a modern version of motherhood and apple pie in Washington, DC. Everyone in America's capital wants lots more of both, or so they say. So how come Congress and the White House have decided not merely to underfund a crucial cog in American's innovation machine but actually to take away revenue it earns? And that at a time when that cog, the Patent and Trademark Office, is already struggling to keep up with the growing demands upon it? The recent budget deal for fiscal 2011 (the year to September 30th) allows the Patent Office to spend only $2.1 billion.

That is less than it expects to collect in fees from applicants-$100m or so will disappear instead into Treasury coffers-and far less than it needs to do its job properly.

Ever since Thomas Jefferson became the first head of what became the Patent Office in 1790 and decided to grant patents only to innovations that were useful and genuinely novel, America's system of intellectual property has played a crucial role in generating economic growth, encouraging inventors and entrepreneurs by ensuring that they can make money from their good ideas. Last year the Patent Office granted 244,358 patents out of the applications it examined. Although you can debate how many jobs are created on average per patent, there is no doubt that, collectively, they are a useful contribution to an economy that is still struggling to grow.

Imagine, though, how much bigger that contribution might be had the Patent Office been able to process the applications that it has still not even looked at. There are more than 700,000 of these. On average, hopeful inventors wait for two years until their applications are even considered. Ten months more may go by before they learn whether they have been successful. While they wait for a decision, the American economy is losing out.

Patents pending

The backlog extends the uncertainty that the process causes to businesses, applicants and competitors alike, slowing investment and constraining the economy. It may also push back the launch of the new product for which a patent is sought, depriving customers of the benefits. Entrepreneurial small businesses, which are increasingly recognised as an important source of new jobs and often need a patent to raise the capital they need to grow, tend to be hit particularly hard. The delay may also cause firms to seek alternative methods of protecting their intellectual property, especially through trade secrets. That may in turn impose further costs on the economy by slowing the dissemination of knowledge which the patent system helps to bring about.

On April 26th a scheme to process applications more quickly for an additional fee was put on ice by David Kappos, the head of the Patent Office, who blamed this on its new spending cap. Even in today's difficult fiscal circumstances, it should not be beyond Congress to find the money to allow the Patent Office to introduce this reform. Simply letting it keep all its fees would do the trick-even if this comes at the expense of some other programme that contributes less to the economy.

Congress should also hurry up and pass the patent reforms that it has been considering, mostly favourably. Certainly, there are things to quibble about in the proposed legislation. Not everyone is convinced by its bias towards the first applicant to file for a patent rather than (as now) the first applicant to have the idea, nor by its lack of an easier way to challenge patent awards. Yet, overall, it makes sense. Most sensible of all is the part that would let the Patent Office determine its own fees and keep all the money that it collects. That would presumably enable it to reduce the backlog of applications. The sooner Congress passes this legislation, the easier it will be to take seriously the claims of America's politicians to be doing all they can to foster innovation.

Index | Leaders

The price of legal services

How to curb your legal bills

They fell during the recession, but not nearly far enough



LAWYERS are less than 1% of American adults, but they are well-represented in government. Both the president and the vice-president trained as lawyers. So did 55% of senators and 100% of Supreme Court justices. There are advantages to having a bit of legal expertise among those who write and execute the nation's laws, or assess their constitutionality. But there is also a potential conflict of interest. If florists had such a lock on the levers of power, you might expect subsidies for weddings, a campaign to beautify cities and the addition of Godmothers' Day, Aunts' Day and Librarians' Day to the calendar. Lawyers, alas, are no more selfless.

The American legal system is the most lawyer-friendly on Earth. It is head-thumpingly complex. The regulations that accompany the Dodd-Frank law governing Wall Street, for example, are already more than 3m words long-and not yet half-written. Companies must hire costly lawyers to guide them through a maze created by other lawyers. They must also hire lawyers to defend themselves against attacks by other lawyers on a playing field built by lawyers. The cost-roughly $800 a year for every American-is passed on to consumers. The benefits are hard to detect. Americans are probably no less likely to be injured or cheated than the citizens of countries that spend a fraction as much.

So it is hard to muster sympathy for lawyers facing a tighter labour market. America's 250 biggest law firms shed more than 9500 people, nearly 8% of the total, in 2009-10. Law students are struggling to find the lavishly paid work they expected after graduation. One big law firm even went bust (see article). None of this is nice for the people concerned, especially those with large student debts. But a squeeze was long overdue. The recession forced corporate America to look hard for savings, and the people who were being paid hundreds of dollars an hour to nitpick were an obvious target. Some lawyering requires exceptional skills and deserves high pay. But law firms were often charging stiff rates for routine work done by trainees. Clients are right to demand better value for money. Law firms can increasingly oblige them with the help of technology and globalisation.

Lawyer, meet my accountant

Companies are insisting that their lawyers outsource basic or repetitive tasks. They are pressing them to use software, rather than expensive eyes, in the collection of vast amounts of information for anyone who files a semi-plausible suit. They are asking for flat or capped rather than hourly fees. American lawyers are not the only ones recalculating their bills. London firms with a global spread are also facing competition and more demanding clients. Firms at the cheaper end of the British market nervously await liberalisation at home.

Yet no one should underestimate lawyers' ability to adapt. In America members of the plaintiffs' bar search constantly for ingenious ways to make whoever has the deepest pockets pay for whatever goes wrong. That benefits defence lawyers too, because firms facing ingenious assailants need ingenious protectors. It will take more than market forces to make the system fairer for non-lawyers. America needs fewer and simpler laws, and stricter curbs on frivolous suits and outlandish damages. Curiously, its leaders are in no rush for reform.

Letters

On China, the British monarchy, corruption, Cuba, India, retail, disasters, court rulings

Letters are welcome via e-mail to letters@economist.com

Criticising China

SIR - Your criticisms of China in the Ai Weiwei case were unwarranted, show a disrespect for our judicial sovereignty and are an attempt to interfere with our internal affairs ("China's crackdown", April 16th). Mr Ai, an artist, has made his comments before, through Twitter and interviews given to Western journalists, and he has travelled abroad to hold exhibitions. These activities were not restricted. Mr Ai is now under investigation for suspected economic crimes. The case is not a human-rights matter nor is it about freedom of speech, but rather it is a question of whether the rule of law should be upheld.

China is ruled by law, not by man; it is not a case of rule by a few. Over the past 30 years of reform China has achieved a great deal, not just in becoming the second-largest economy and improving the living standards of its people, but also in terms of much greater freedoms. Some people in the West assert that China only wants economic reform and not political reform. This is not true either in theory or in practice.

Progress has been made in building democracy and the rule of law. The people's congress system and multiparty consultation and co-operation under the Communist Party now play a greater role. Democratic decision-making within the party has been strengthened and lifelong tenure of leadership positions has been abolished.

The rights and freedoms of Chinese citizens are protected by law. Chinese citizens enjoy freedom of movement and migration, free choice of employment and freedom to study overseas. They can express their views through multiple channels: China has 450m internet users and the number of religious believers exceeds 100m. The path of development a country follows depends on the circumstances of that country and should be decided by its people. China's development has worked well and will continue despite many challenges. The attempt to create instability in China will not be supported by the Chinese people.

The differences between China and the West on democracy and human rights should be addressed through dialogue based on equality and respect. People who attack China should ask themselves just who it is that is cracking down on others, and who is creating confrontation.

Dai Qingli
Chinese Embassy
London

Queen and country



SIR - Bagehot's column (April 23rd) on getting rid of the British monarchy made me wonder if *The Economist* is out of its mind. As an American republican (and a Republican), I recognise the value that Britain earns from its monarchy and the

stability and respect it brings. Your earlier attempt at a republic did not work too well, and were you to throw away 1,000 years of history you would have to invent something to replace it. But what? Another Lord Protector? A president? Tell me, who actually cares what the president of Italy or Germany says or does? And what about the Commonwealth? With whom do all those former colonials really identify? And what would the UK call itself: the United Whatever?

It is instructive that the Spaniards dug up their monarchy after Franco died, and was it not King Juan Carlos who saved the nascent democracy from a military coup? I strongly advise you to reconsider your republican attitude for reasons that you no doubt understand perfectly.

James Roby Day
East Kingston, New Hampshire

SIR - Your snide reference to the royal marriage in "The world this week" (April 30th) mentioned that "millions of Britons took advantage of the opportunity to take a foreign holiday". That may well have been the case but apparently 25m of us watched on television and a crowd of 1m were on the streets of London. By my calculation that is 42% of the British population-certainly more than the weekly readership of *The Economist*.

Grant Lawrence
Banchory, Aberdeenshire

Cracking corruption

SIR - As a relative outsider recently elected to Latvia's parliament, partially on an anti-corruption ticket, I object to the contention that I and others like me "seem to be captured by the system within months" ("From Bolshevism to backhanders", April 16th).

In fact new members immediately re-established the subcommittee on anti-corruption, abolished by the last parliament. When appointed minister of defence two years ago, I not only brought in an adviser on corruption risk issues, but also initiated the dismissal of the commander of the naval forces for malfeasance with probable collusion by colleagues from a NATO west European ally.

The threats to Juta Strike described in your article followed the arrest of a high-profile official with alleged links to contraband. Riga city officials were recently sentenced to lengthy prison terms for corruption. Those brave officials and representatives of NGOs and the press who fight the scourge of corruption deserve support and encouragement, as they are perhaps comparable to the dissidents from communist times.

Imants Liegis, MP
Riga, Latvia

Cuba and the United States



* SIR - I question your implication that American government policy was behind the acquittal of the anti-Castro Cuban, Luis Posada Carriles ("Catch him if you can", April 16th). It may be true that Mr Posada was involved in terrorist acts, but the federal prosecutors in the case evidently believed they could not prove those charges in open trial with the evidence available, and therefore opted to pursue a conviction on perjury charges. In the end the prosecutors were unable even to convince the jury that Mr Posada was guilty of lying about the terrorist acts.

"Knowing" that an individual is guilty of some crime and proving it beyond a reasonable doubt in a court of law before a jury are two very different things. Combined with congressional opposition, this same conundrum is a factor in the Obama administration's decision to keep in custody a number of captured "enemy combatants", many of whom could just as surely be defined as "terrorists".

It is not surprising that Ricardo Alarcon, a Cuban parliamentarian, and the Venezuelan foreign ministry are appalled by the process since neither has to put up with the inconvenience and unpredictability of the rule of law in their own countries. The same rule of law would make it virtually impossible to swap the acquitted Mr Posada for Alan Gross, an imprisoned American in Cuba, an act that would be a serious policy error given the disproportionate punishment meted out to Mr Gross by the Castro regime.

James Benson
Silver Spring, Maryland

Investment in India



* SIR - Your argument that India should open its doors to foreign companies and tourists in order to increase flailing FDI left me with mixed sentiments ("Fling wide the gates", April 16th). It is true that for a country with so much potential and innovation, foreign investment remains remarkably low, partially due to government bureaucracy and a reputation for corruption. However, many more complexities have caused companies to shy away from India: it has a unique culture that is very different from that of the West, and westerners often do not realise, and often even ignore, the impact this has on doing business in the country.

Many companies have tried and failed to get a foothold because they did not take the time to look into Indian culture. Kellogg's made a huge loss trying to promote Corn Flakes in India; the company did not realise that Indians put warm milk on their cereals; the resulting soggy Corn Flakes were not to their taste.

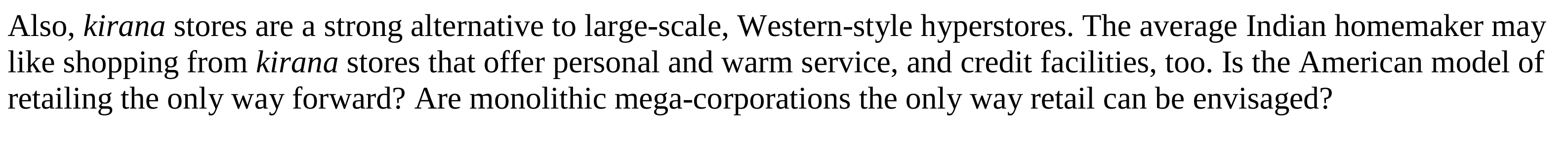
Some companies have succeeded, Procter & Gamble being a prime example. It identified that Indians do not wash their hair as often as westerners (largely because it is too expensive), but always wash it for special occasions. P&G introduced small packages with enough shampoo for one wash which have been a great success.

You say that the supermarket chains, Tesco, Walmart and Carrefour, should invest in India in order to set up a network where food stays fresh and less is wasted. While agreeing with this ideal the investment would be immense. India is a large country with an appalling transport network. If Walmart was to invest in India, it would need to rebuild roads or make new railway lines in order to transport food in the way it is used to. The Indian government does not have the money to do this. And as Indians love the mom-and-pop kirana stores, it will take a long time for them to become accustomed to the idea of supermarkets. It may happen in future, but at the moment it is a risk that companies are not willing to take.

Michael Codd
Brussels

Retail therapy

SIR - You criticised India's mom-and-pop *kirana* stores as inefficient and expensive, but overlooked some of India's realities ("Send for the supermarketers", April 16th). Because of a lack of jobs many have turned to retail as a vocation. Millions are thus self-employed, without state help. Do you really think this is bad?



Also, *kirana* stores are a strong alternative to large-scale, Western-style hyperstores. The average Indian homemaker may like shopping from *kirana* stores that offer personal and warm service, and credit facilities, too. Is the American model of retailing the only way forward? Are monolithic mega-corporations the only way retail can be envisaged?

Sandeep Manudhane
Indore, India

Adams's axiom

SIR - Your leader on the Deepwater Horizon and Fukushima disasters ("In place of safety nets", April 23rd) reminded me of Douglas Adams's axiom: "The major difference between a thing that might go wrong and a thing that cannot possibly go wrong is that when a thing that cannot possibly go wrong goes wrong it usually turns out to be impossible to get at or repair." Sage advice indeed.

John Theis
Melbourne, Australia

Luncheon and the law

SIR - Shai Danziger spent ten months following judges around ("I think it's time we broke for lunch...", April 16th) when he could have just read "The Rape of the Lock" written by Alexander Pope nearly 300 years ago: "The hungry judges soon the sentence sign, And wretches hang that jurymen may dine."

Richard Wing
Toronto, Canada

SIR - I am somewhat distressed that you consider my one-hour luncheon adjournment to be excessive. Of course, if you were prepared to reveal the extent of your "prandial proclivities" I would be very happy to adjust my own to match.

Judge Iain Hughes, QC
Winchester, Hampshire

* Letter appears online only



WOKEN by the deafening thump of rotor blades, Haji Bashir Khan crept on to his roof and watched, under a warm and moonless sky, as American special forces stormed his neighbour's compound. "Yes, we were scared. We don't have terrorism here," says the middle-aged restaurateur. He heard shooting and screams, then felt an explosion as a grounded helicopter was destroyed. The blast broke his bedroom window and strewed blackened bits of the chopper over a nearby wheat field.

Mr Khan and others in Abbottabad, a garrison town north of Islamabad, say the raid that killed Osama bin Laden lasted for 40 minutes. In the Situation Room at the White House, where Barack Obama and his staff gathered to watch reports of progress (see above), it seemed to last for very much longer. But in the end-in the very early hours of May 2nd, Pakistan time-American Navy Seals shot to death the man who had plotted the murder of nearly 3,000 people on September 11th 2001 and who had became the symbolic leader of global *jihad* against the West.

America's first lead came four years ago. Thanks to information acquired by interrogating detainees, officials identified one of the few al-Qaeda couriers trusted by Mr bin Laden. Two years later, they pinpointed the area of Pakistan in which he operated. But it was not until last August that they worked out precisely where this man and his brother lived: in a large house built in 2005 on what were then the outskirts of Abbottabad. It was surrounded by walls up to 18 feet high. Though large and expensive, it had no phone or internet connection, and few outward-facing windows. In addition to the two brothers, a third family was in residence. After careful analysis the Americans concluded that this family was Mr bin Laden's.

Pakistan's government, bracing itself for public anger and revenge attacks, grimly declared that it was caught unawares by the raid. Much harder to swallow are its claims that Pakistan's blundering spies had no idea that Mr bin Laden had been kept, probably for years, not in a remote cave on the Afghan frontier but cradled in the arms of retired and serving generals in a pleasant hillside town. It prefers to plead incompetence, since admitting to the alternative is far more painful: that the Inter-Services Intelligence directorate (ISI), or rogue elements in it, had long harboured Mr bin Laden and that Pakistan's leaders acquiesced in his killing, if at all, only moments before it was done.

That seems, to many, the likelier explanation. Mr bin Laden's prolonged stay, with many of his relatives flocking in from Yemen, required a network of help. That he had relatively few guards on the spot also suggests he trusted others for security. Ordinary residents of Abbottabad were expected regularly to show their ID cards.

Usually smooth-talking ISI men have been giving garbled accounts of what they and their government were up to. Pakistan's president, Asif Ali Zardari, pleaded innocence in an op-ed article in the *Washington Post*, arguing that Pakistan had as much reason to despise al-Qaeda as any other country. More telling is the gobsmacked silence of General Ashfaq Kayani, the powerful army chief, who had long denied that Mr bin Laden was hidden in Pakistan. Only on April 23rd he had brushed away American grumbles that too little was being done to fight terrorists, saying blithely that they would soon be beaten. All the more galling for him, he spoke at Abbottabad's military academy, within waving distance of the most wanted terrorist in the world.

A waning star

Ever since evading his pursuers in the Tora Bora mountains of Afghanistan in November 2001, Mr bin Laden's slipperiness in the face of America's efforts to find him had inspired jihadists everywhere. In the crowded field of Islamist terrorism it also preserved al-Qaeda, his loose-limbed organisation, as the leading brand.

Yet there were, and are, many cracks in this apparently bold facade. According to some observers, al-Qaeda is under severe pressure: smaller in numbers than it has been for years, short of money, and much less capable of carrying out big operations against the "far" enemy in the West (as opposed to the "near" enemy, usually defined as corrupt Muslim states). And in the Middle East, in particular, al-Qaeda's star has long been waning.

Mr bin Laden's death proved that. Although newspapers across the region splashed it over their front pages, and TV talk shows rattled on into the wee hours parsing the implications, interest faded quickly. Aside from a few odes to martyrdom posted on obscure jihadist websites, and sniffy complaints that Mr bin Laden's burial at sea offended Muslim tradition, scarcely a tear was shed.

Neither Mr bin Laden nor al-Qaeda ever held sustained appeal for most of his fellow Arabs and Muslims. To many he was a scourge and a criminal, responsible not only for thousands of deaths but for bringing notoriety to Muslims everywhere. Others regarded him as a romantically defiant figure, a man who, despite the evident brutality of his methods, harboured the good intention of freeing Muslims from Western tutelage. Yet even to many of his admirers, the thrill of seeing the American lion's tail violently yanked proved short-lived.

As time passed, it was clear that the goals of Mr bin Laden's *jihad*-especially ridding Muslim lands of infidel occupiers-were getting no closer. On the contrary, his belligerence excused further Western trespass into Iraq and Afghanistan, bolstered Western backing for Muslim allies in the war on terror, and starkly amplified Muslim divisions, such as those between Sunnis and Shias. Even before this year's surge of popular revolts upended regional politics, al-Qaeda had faded to the margins. Mr bin Laden's acolytes thrived only in remote, lawless zones such as the mountains of Yemen and Pakistan, the deserts of the Sahel and the badlands of Afghanistan and Iraq, where what sustained them was resistance to the foreign invasions they had helped to provoke. The constant hounding of security forces kept the leaders in hiding, increasingly unable to communicate with each other or the world.

As a result, "core" al-Qaeda, roughly defined as the remnants of the organisation led by Mr bin Laden and his Egyptian deputy, Ayman al-Zawahiri, which found refuge in the tribal areas of Pakistan after its expulsion from Afghanistan, is in a poor state. Mounting numbers of missile strikes by CIA-controlled Predator drones on its camps in North Waziristan have succeeded in killing many al-Qaeda fighters and operatives, some quite senior, over the past two years. These attacks have been so effective (at least militarily; they are loathed by ordinary Pakistanis, who too often end up as unintended victims) that they have led to some al-Qaeda commanders murdering each other, convinced they have been betrayed from within.

Such is the fear that their communications are being monitored that discarded mobile-phone sim cards have been found littering the ground around al-Qaeda and Taliban camps. According to intelligence sources, Mr Zawahiri "went dark" in late 2009 and has not been heard of since. The drones also gather huge amounts of real-time information, which has allowed General David Petraeus, the coalition commander in Afghanistan, to use special forces to attack Taliban and al-Qaeda bases, at times, almost nightly. Recent estimates suggest that al-Qaeda's active membership in Afghanistan and Pakistan is now little more than a couple of hundred, plus foreign fighters who come and go.

Global reach

Attacks attributed to al-Qaeda outside Afghanistan and Iraq, 1992 to 2008*

Date		Location	Description	Number killed†
1992	December	Aden, Yemen	Hotel bombing	2
1993	February	New York	World Trade Centre bombing	6
	October	Mogadishu, Somalia	Ambush of US forces	18
1994	June	Mashad, Iran	Shia shrine bombing	27
1995	November	Riyadh, Saudi Arabia	Truck bomb	7
1998	August	Kenya and Tanzania	US embassies bombed	301
2000	October	Aden, Yemen	*USS Cole* bombing	17
2001	September	New York, Virginia and Pennsylvania	9/11 attacks	3,000 approx.
2002	April	Djerba, Tunisia	Synagogue bombing	21
	May	Karachi, Pakistan	Hotel bombing	10
	June	Karachi, Pakistan	US consulate bombing	11
	October	Yemen coast	*Limburg* oil tanker bombing	1
	October	Bali, Indonesia	Nightclub bombings	202
	November	Mombasa, Kenya	Hotel bombing	15
2003	May	Riyadh, Saudi Arabia	Expatriate compound bombing	35
	May	Casablanca, Morocco	Multiple bombings	45
	August	Jakarta, Indonesia	Hotel bombing	16
	November	Riyadh, Saudi Arabia	Car bombs	17
	November	Istanbul, Turkey	Synagogues bombed	57
2004	February	Philippines	Ferry bombing	116
	March	Madrid, Spain	Train bombings	191
	April	Riyadh, Saudi Arabia	Government building bombing	3
	May	Yanbu, Saudi Arabia	Refinery attack	5
	May	Khobar, Saudi Arabia	Expatriate compound attack	22
	December	Jeddah, Saudi Arabia	US consulate attack	5
2005	July	London	Underground/bus bombings	56
	July	Sharm el-Sheikh, Egypt	Resort bombings	88
	November	Amman, Jordan	Hotel bombing	63
2007	April	Algiers, Algeria	Car bombs	33
2008	June	Islamabad, Pakistan	Danish embassy bombing	6

Sources: Press reports; Congressional Research Service *Later information unavailable †Including perpetrators

Franchises and offshoots

The number of terrorist threats identified by Western intelligence agencies as coming from the region has declined, although not by as much as might have been expected. A few years ago more than 75% of the threats originated in South Asia; now the split with the rest of the world is about even. And yet the network has one proven advantage: its protean ability to adapt to circumstance.

Another result of the concerted pressure on al-Qaeda's core has been its mutation from the hierarchical pyramid organisation it was in 2001 into what Leah Farrall, author of the blog *All Things Counter-Terrorism*, describes as a "devolved network hierarchy, in which levels of command authority are not always clear, personal ties between militants carry weight and, at times, transcend the command structure between [al-Qaeda's] core, branch and franchises." In this model the core leadership is largely relieved of direct operational responsibilities, which devolve to the branches and franchises. Instead, the core exercises command and control only over strategy and ideology.

This is not a particularly recent development. In fact, the September 11th attacks were themselves intended to draw in disparate jihadist groups that had resisted Mr bin Laden's attempts to unify the movement-both through the huge propaganda impact of the deed itself, and also in reaction to America's anticipated military response. The tactic worked.

The first manifestation of the new structure was the activation by Mr bin Laden of al-Qaeda in the Arabian Peninsula (AQAP). According to Ms Farrall, AQAP, which has bases in south and east Yemen and was founded primarily to destabilise the Saudi regime, should be seen as an offshoot from the core organisation rather than a franchise operation.

The biggest and most powerful example of the latter is still al-Qaeda in Iraq (AQI), which was created in 2004 when Abu Musab al-Zarqawi pledged the allegiance of his terror group, Jamaat al- Tawhid wal-Jihad (JTJ), to Mr bin Laden. JTJ had more fighters and was perpetrating many more well-publicised acts of violence than al-Qaeda, but such was the strength of the al-Qaeda brand that Zarqawi, who died in an American air strike in 2006, had no hesitation in linking himself to Mr bin Laden.

Before he died, Zarqawi was instrumental in bringing another terrorist organisation, the Algerian-based Salafist Group for Preaching and Combat (known as GSPC), under the al-Qaeda umbrella. In late 2006 Mr Zawahiri announced a "blessed union" between GSPC and al-Qaeda. A few months later the group was renamed al-Qaeda in the Islamic Maghreb (AQIM), identifying France (the former colonial power) and America as the two "far" enemies on which it would focus.

The next outfit likely to become an al-Qaeda franchise is Shabab, a fast-growing militant group that operates in Somalia and has close ties to nearby AQAP-if it can reconcile its differences with Hisbul Islam, another Islamist insurgent group in Somalia with links to al-Qaeda. After bitter fighting between the two, Hisbul Islam submitted to a Shabab takeover at the end of last year, but tensions persist. Shabab has been particularly successful in recruiting foreign fighters and Somali exiles.

Some of these franchise groups are very small. AQAP is reckoned by Yemeni officials to be able to field about 400 men. In 2007 al-Qaeda in the Islamic Magreb had perhaps 200-300 fighters. Many surviving members of al-Qaeda's affiliates have drifted into smaller Sunni factions under no centralised command. Even tinier, isolated cells exist elsewhere in the region, erupting perhaps once a decade.

Yet the size of these groups may be misleading. AQAP, for example, is by far the most energetic part of al-Qaeda at present. Under the leadership of Nasser al-Wahayshi, a former close aide of Mr bin Laden's, and Anwar al-Awlaki, a charismatic American-Yemeni cleric, AQAP has been the instigator of several recent terrorist plots aimed at America: among them the Fort Hood shootings carried out by Nidal Malik Hasan, the attempted destruction of a passenger plane by Umar Farouk Abdulmutallab (the Christmas Day "underpants bomber") and the highly sophisticated plot last October to blow up two Chicago-bound cargo planes with almost undetectable bombs disguised as printer cartridges.

Internet monitoring also shows that far greater numbers of sympathisers follow jihadist literature, suggesting a broad pool of potential recruits. Many of these come from the wider Salafist trend of puritan Islam, much of which has traditionally rejected violent *jihad*, largely on tactical grounds, in favour of quiet proselytising.



Ground Zero's note of triumph

Alex Gallo, of West Point's Combating Terrorism Centre, says that core al-Qaeda has evolved a most effective and flexible approach, a bit like Michael Porter's theory of the value chain. Core al-Qaeda, he argues, has de-emphasised the resource- intensive part of violent activity-training, equipping and deploying fighters around the world-in favour of acting as a kind of consultancy, providing strategic direction, ideological coherence and financial advice. According to him, "al-Qaeda understands that, given the constrained context in which it operates today, it is able to provide more robust and

enduring value to the global jihadist movement through its unique infrastructure and expertise in ...marketing and services."

Al-Qaeda manages its franchises by allowing them considerable autonomy against the "near" enemy, while insisting on some direct influence over their out-of-area operations against traditional al-Qaeda targets in the West. These include public-transport networks (the old obsession with airlines is undiminished), government buildings and vital infrastructure (top of the list would probably still be an attack on a nuclear plant). How much of a directing role al-Qaeda plays is uncertain. Large operations or those involving new tactics, such as an attack using a radiological device, appear to require permission from the top, usually transmitted by the more operationally active second-tier leadership.

British intelligence sources describe AQAP as the most innovative of the al-Qaeda franchises, thanks to the grafting on to a formerly parochial organisation of a small group of well-educated people who understand the West and its weak points. But, disconcertingly, counter-terrorism agencies admit that not enough is known about the location of AQAP's Yemen bases to mount successful drone attacks against them.

Internal divisions

Even with Mr bin Laden dead, most counter-terrorism professionals expect that little will change. The next few weeks will almost certainly see more strikes against high-value al-Qaeda targets as the Americans sift the information gathered from the raid in Abbottabad, a treasure trove of documents and computer hard drives, and put it to use before it goes stale. The leadership of core al-Qaeda will pass to Mr Zawahiri, who was always more operationally involved than Mr bin Laden. His first task will be to work out what aspects of the network may have been compromised and to make repairs. Less popular within the organisation than Mr bin Laden, Mr Zawahiri will have to show that he can be a unifying figure. If he cannot manage it, he will fairly soon be replaced.

In recent years hints of discord have appeared in the jihadists' own internet traffic. Even members of the historic leadership of al-Qaeda have criticised Mr bin Laden's strategy. Perhaps, say some dedicated jihadists, it would be better to work on consolidating gains, and appealing to like-minded Muslims, rather than eternally plotting new attacks. Perhaps the priority should be the "near enemy", rather than America.

Such doubts from within have recently grown stronger. Unlike the war on terror, which in many ways bolstered the jihadists' paranoid vision of Islam as a faith locked in mortal combat with an unrelenting foe, the wave of democratic change now sweeping the region risks undermining it altogether. Not only has it already succeeded where Mr Bin Laden failed, in knocking down such "apostate regimes" as those of Egypt and Tunisia. It has done so through the peaceful mobilisation of ordinary people, inspired not by religious fervour but by secular demands.



The far enemy comes close

The chain of Arab uprisings also subtly puts into question the relevance of al-Qaeda's ambition to rid Islam of foreign interference. This is most obviously true in Libya, where jihadist radicals, including former close associates of Mr bin Laden, have cheered NATO air strikes against the regime of Muammar Qaddafi as loudly as anyone. Mr Zawahiri, by contrast, called on Libyans both to fight Colonel Qaddafi and to attack the "infidel" NATO forces. Egypt's Muslim Brotherhood, a mainstream Islamist group whose global following is immensely greater than al-Qaeda's, dismissed this as "a desperate attempt by al-Qaeda to impose itself as a force for change amid the huge popular and international support for non-violent revolutions across the Arab world." It seems that, eventually, the central idea that Mr bin Laden stood for may simply be superseded.

The speculation that al-Qaeda will want to lash out to avenge its fallen leader may not be correct. One of its characteristics is patience: wide-ranging plots can take years to implement, and prematurely activating sleepers for "lone wolf" attacks may waste valuable assets. It is more likely that the next attacks, when they come, will instead simply be relabelled as retribution for Mr bin Laden's death. In the longer term, without his unifying prestige, the network could become even more dispersed. But that will only make the job of Western intelligence agencies harder.

And now, Pakistan

Certainly it will be harder in Pakistan, where the government, and especially the ISI, now looks humiliated. India's hawks mock that their bitter rival can never again be trusted; noisier American congressmen want Pakistan's $3 billion military and civilian aid budget slashed. President Zardari and other civilian leaders have floundered for a response. Relations with America were already chilled, especially between spy agencies, and have turned icy as criticism of the ISI grows.

Spooked, the Pakistanis are already warning the Americans not to consider more such raids. But that is clearly a temptation. An obvious next target would be Mullah Omar, the ageing Afghan Taliban leader, whom the ISI is also accused of protecting. American agents snooping in Pakistan's cities in the past year may well have turned up other useful leads, but chosen not to act until Mr bin Laden was dealt with. Some conspiracy theorists even fret that the Americans may go after Pakistan's nuclear arsenal next.

Mr Obama bent over backwards after the raid not to rub Pakistan's face in the embarrassment of it all. His administration did not warn Pakistan that it was about to launch an attack deep inside its territory, as if there was no trust there. Nonetheless, Mr Obama said, "it's important to note that our counterterrorism co-operation with Pakistan helped lead us to bin Laden and the compound where he was hiding."

Jay Carney, the president's spokesman, fielding reporters' questions on May 3rd, admitted that relations with Pakistan were "complicated". America's problem with the Pakistanis, remarked Lindsey Graham, the senior Republican senator from South Carolina, was that "you can't trust them, and you can't abandon them."

Many foreign leaders agree. Britain's prime minister, David Cameron, who spoke on May 3rd, wants continued help for Pakistan's civilian leaders while, at the same time, demanding that its military chiefs come clean about their spies.

Winding down a war

Any Western pressure will be calibrated with the war next door, in Afghanistan, in mind. It is unclear how much will change there after the beheading of al-Qaeda. Optimists see glimmers: for example, the hope that America may at last push Pakistan to start a long-postponed campaign against the Haqqani network, which attacks Western forces in east Afghanistan from Pakistani bases.

If the more powerful Taliban accept that Mr bin Laden is dead, they may feel excused from their Pashtunwali honour code about protecting guests and disavow their ties with al-Qaeda. A Western demand for them to do so has been the biggest block to the planned peace talks. Equally important, the Taliban may be spurred towards talks themselves, fearing that whatever support they get from inside Pakistan is now in jeopardy.

Yet it is not clear that the Taliban will grow any more amenable just yet, and such talks might not get far. Too many disparate groups would have to be involved. The Taliban's leaders will watch to see if Mr bin Laden's death softens Westerners' already flagging will to fight on in Afghanistan, and whether plans harden to get many of the troops out within the next three years.

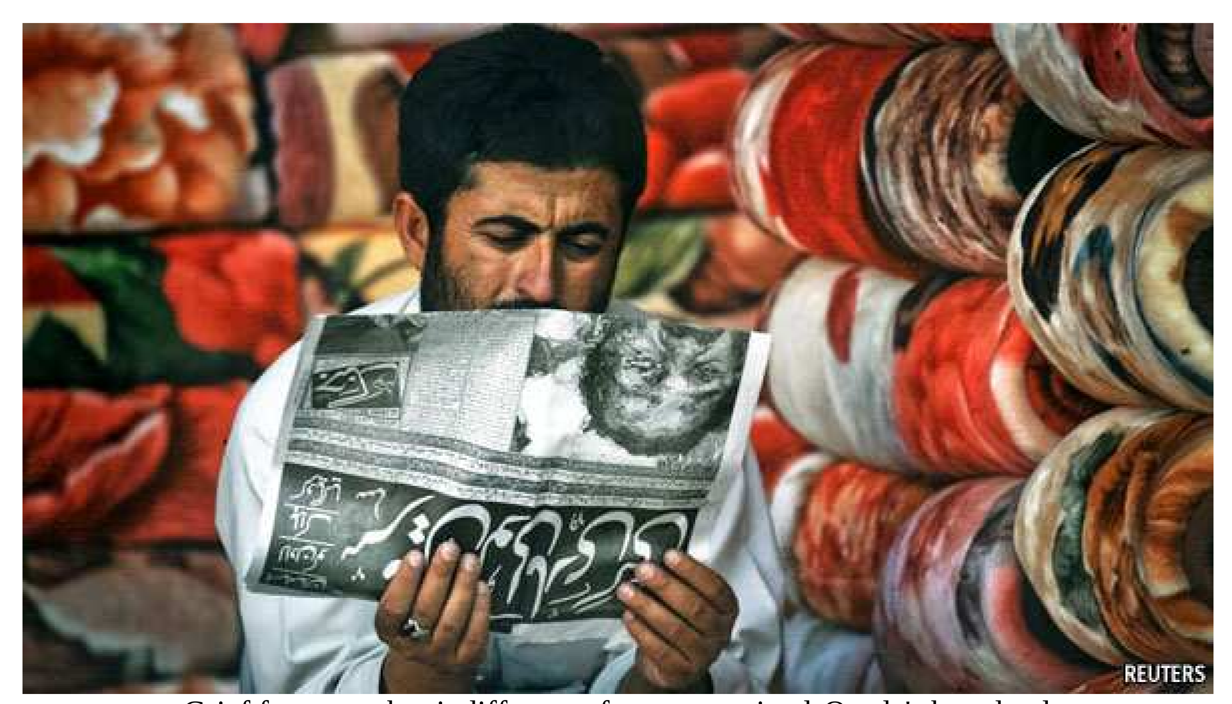
Plenty of Americans fervently hope they will be. After almost ten bloody years, the war in Afghanistan is unpopular, especially in Mr Obama's own party. Many Democrats were appalled by his decision in 2009 to send 30,000 more troops.

Now they see an unexpected opportunity. Since it was the search for Osama bin Laden that drew America into Afghanistan, isn't his elimination the perfect moment for America to declare victory and pull out?

For the present, there is little evidence that the president himself sees things that way. The official word from the White House and from America's ambassador in Kabul is that NATO still has plenty of hard work to do before handing the war over to the Afghan government and army in 2014 as planned. Under the president's current plan, the White House was already primed to start a review of the war in the coming weeks, to be followed in July by the start of a drawdown of some of its 100,000 soldiers in Afghanistan.

The exact number would depend on the outcome of the review. Before Mr bin Laden's death most insiders in Washington expected that this would be modest-a few thousand or so. Mr Carney, the press spokesman, insists stoutly that nothing has changed: Mr Obama's original plan was "very much in place", and the pace of the withdrawal would depend on conditions on the ground in Afghanistan. But on Capitol Hill and in Washington's think-tanks, some are more impatient.

Not all are Democrats. Senator Richard Lugar, the ranking Republican on the Senate Foreign Relations Committee, says that with al-Qaeda mostly gone from Afghanistan, decamped to Pakistan and Yemen, it is folly for America to keep 100,000 troops there at a cost of $100 billion a year, and to indulge in "grand nation-building ambitions". John Kerry, the committee's Democratic chairman, said the killing created the possibility of "re-evaluating what kind of transition we need in Afghanistan".



Grief for some, but indifference from many, in al-Qaeda's heartland

There are, however, many voices on the other side of the debate. Senator Graham said it would be a "huge mistake and a catastrophic blunder" to think that killing Mr bin Laden ended the need for American action in Iraq and Afghanistan. "You don't win the war by killing terrorists," he said. "Over time, you win the war by investing in those who will live in peace with us." Joe Lieberman, chairman of the Senate's Homeland Security Committee, said that to withdraw quickly would be to repeat the mistake America made when it abandoned Afghanistan to the Taliban after the Soviets departed.

It is impossible to be sure which way Mr Obama will jump. On the one hand, the raid on Abbottabad has delivered an immediate boost in the polls, including, according to the Pew Research Centre, a 17-point leap in the number of Americans who approve of his handling of the war. That, says Paul Pillar, a former CIA analyst for the Middle East and South Asia, gives the president some additional wiggle room if he wants to bring home more troops in July than he previously intended. But Mr Obama is also bound to be wary of doing anything that might squander his new-found standing as a potent warrior against America's enemies. Quite aside from the merits of the case, a dash for the exit might provoke a clash with his top brass, who are wary of leaving Afghanistan in disorder.

His unseen face

This has been a triumphant week in the fight against al-Qaeda. But the very success of the daring raid on Abbottabad has raised a host of fresh questions. Some are about the raid itself, and the details of Mr bin Laden's death-details the Obama

administration has decided to part-conceal by not releasing photographs of his body, shot through head and chest, in case they inflame his supporters.

The most important question, however, concerns the form that global *jihad* will now take. Al-Qaeda may be in retreat in many ways, but it is far from beaten. It has adapted before, and is still changing. A movement that prizes "martyrdom" will not let the propaganda opportunities of its symbolic leader's execution be wasted. Indeed, Mr bin Laden's value as a recruiting sergeant for disaffected young Muslims may be even greater in death than in life.

Assassination

A messy business

When a state kills its enemies remotely, the law gets tangled

KILLING quickly in combat, when large numbers of soldiers are fighting according to the laws of war, is sad but legal. Change any of those parameters, and things get tricky. Some lawyers have denounced the killing of Mr bin Laden, unarmed and in his home, as an extra-judicial murder. Others see it as a wholly legitimate military operation.

Every country allows soldiers to use lethal force against a declared enemy in wartime, just as police may, in some circumstances, kill criminals. But America is at war with an organisation, not a country, and though al-Qaeda is not a state it is (by its own account) at war with the United States. Purists argue that the criminal law is the right weapon for defence against terrorists; pragmatists would differ.

In any case, America's armed forces have legal backing for their actions against al-Qaeda. Though a presidential order of 1976 bars assassinations by America's spooks, an act of Congress in 2001 authorised the president to use "all necessary and appropriate force" against the perpetrators of the terrorist attack in September of that year.

Next comes the category of person killed. Deliberately targeting civilians in any conflict is illegal. But al-Qaeda has a quasi-military structure, and plenty of precedents exist for killing enemy commanders in wartime: in April 1943 America ambushed Admiral Isoroku Yamamoto, the Japanese naval commander, on the express orders of President Franklin Roosevelt. Critics of America's actions are arguing that Mr bin Laden was no longer the effective commander of al-Qaeda. But that would be hard to prove.

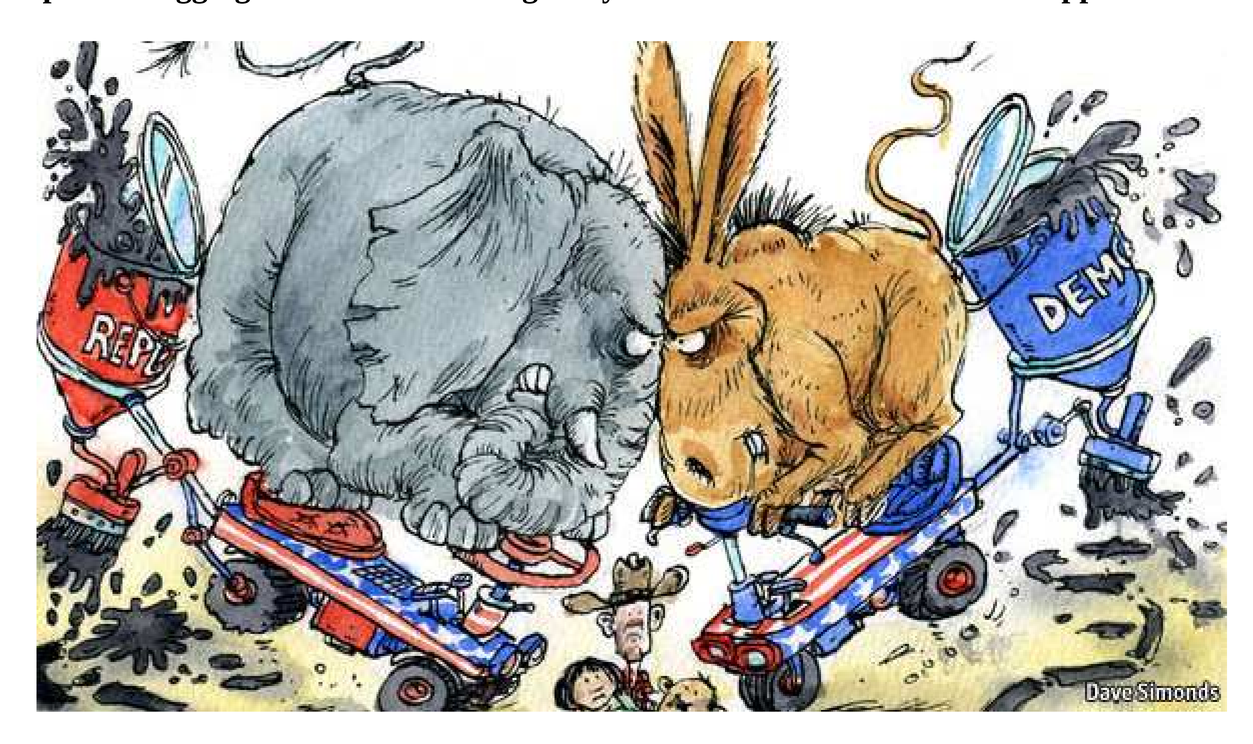
Location can be controversial too. Russia sees the emigre Chechen leadership, for example, as legitimate targets and has killed them in places such as Qatar, to the fury of the local authorities. The assassination of Mahmoud al-Mabhouh, a Hamas commander, in Dubai in January 2010, presumably by Israel, aroused similar ire. But Pakistan has itself used lethal force against al-Qaeda and allowed American drone attacks, for all its loud complaining now.

Timing complicates the question further. Bombing soldiers in a hospital, or shooting them after they have surrendered, is a war crime. Soldiers are under no legal duty to give their opponents a chance to surrender, though if the white flag is shown it must usually be honoured. Nobody has suggested that Mr bin Laden tried to surrender. But his shooting while unarmed raises questions about the nature of his resistance. Any video footage of the attack will be closely scrutinised to see whether he was a combatant, rather than a prisoner.

Behind the controversy is a change not in the laws of war but in the means of waging it. Drone strikes were measured in dozens under George Bush. They number many hundreds under Barack Obama. They allow an official sitting in America to kill someone thousands of miles away. Such killings usually escape scrutiny-and controversy-because they preclude any chance of surrender. Killing someone in the same room is always going to be more complicated.

Not so easy

Republican hopes of snagging extra seats following last year's census look doomed to disappointment



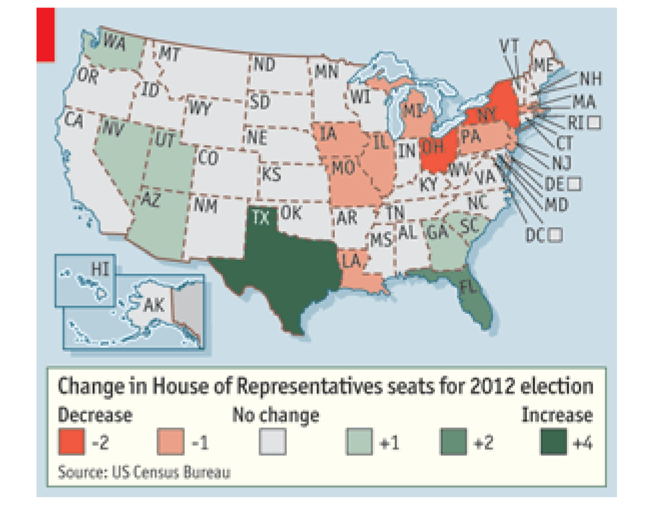
REDISTRICTING, so the old saying goes, is when politicians get to choose their voters. Every ten years, following the national census, each state must redraw the constituency boundaries for both its members of Congress and its state legislators. In most states, the party in power controls both those processes, either directly through the state legislature or indirectly through the appointment of members to commissions charged with the job.

The whole business has been riven with conflicts of interest for at least two centuries. This time around, though, Republicans are in charge in far more states than Democrats, so should be able to weight the political odds in their favour for the next decade. But that is proving trickier than normal, for a variety of reasons.

Take Texas. Republicans control the governorship and both chambers of the state legislature, so can draw new maps without interference from Democrats. That power is all the more coveted since Texas will receive four new seats in the House of Representatives at the next election, thanks to the rapid growth of its population over the past decade. Partisan Republicans would like all four districts drawn with Republican majorities. But as Sherri Greenberg of the University of Texas at Austin points out, even in Texas, there are not enough Republicans to create four secure new Republican districts.

That is partly because Republicans won almost every marginal seat in the state at the last election, leaving themselves already thinly spread. Democrats now hold just nine of Texas's 32 House seats. "The elections accomplished what we were afraid they were going to try to accomplish by gerrymandering," says Mike Villarreal, the most senior Democrat on the redistricting committee in the state House of Representatives. That outcome, in turn, was underpinned by a previous Republican gerrymander. In 2003, shortly after taking control of the state legislature for the first time in over a century, Republicans redrew the congressional map in a way that cost the Democrats six seats at the subsequent election, and more since. That leaves Republicans with few plausible targets in the Democratic congressional delegation.

To make matters trickier for the Republicans, some 90% of the growth in the state's population over the past decade has come from minorities, who tend to vote Democratic. Indeed, minorities are now in the majority in Texas, with Hispanics alone accounting for about 38% of the population-although their share of legal residents of voting age is smaller. The racial divide in Texas politics is quite stark: there are only two state House seats with a white majority represented by Democrats, a legislator points out, and only three minority seats represented by Republicans.



A latter-day Governor Gerry might respond by distributing Hispanic voters across all seats to minimise their influence. But that is a risky tactic in two respects. First, the state's demographics are changing fast enough that an overly ambitious partisan gerrymander is likely to come unstuck during its ten-year lifespan. The last map the Republicans drew secured them a comfortable majority of 88 of the 150 seats in the state House in 2002, but only 76 in 2008. Republicans involved in redistricting this time around say they cannot be too aggressive if their handiwork is to have any hope of surviving.

Moreover, the Voting Rights Act, originally intended to prevent the disenfranchisement of black voters in the South, makes it difficult to marginalise minority voters. It enjoins states to create districts dominated by minorities where feasible, and bars them from reducing minorities' overall electoral clout. Trey Martinez Fischer, who heads the Mexican American Legislative Caucus in the Texas House, says his group will sue if the Republicans produce a congressional map with fewer than two new Hispanic districts. The fact that Republicans just pushed through a redistricting plan for the Texas House of Representatives that fell far short of the five new Hispanic seats he was demanding will also probably spark lawsuits. "Redistricting in Texas is a two-step," he says, "first in the legislature, then in the courthouse."

Democrats are especially enthusiastic about legal challenges to redistricting plans this year, since the federal government, which has considerable leeway to interpret and enforce the Voting Rights Act, is in Democratic hands. (Republican administrations, as it happens, have presided over all previous redistricting cycles since the act was passed in 1965, with a Republican in the White House in 1971, 1981, 1991 and 2001.) Some Texan Republicans are already musing about bypassing the Department of Justice, and obtaining the necessary approval of their electoral maps from a federal court instead. But most seem to think the best defence against a legal assault is to produce a relatively timid redistricting plan in the first place.

That suits most incumbents just fine. While they would be happy in principle to see their party's ranks swell, they are seldom willing to help by allowing their own seats to become less secure. Instead, Republican congressmen and state representatives in Texas seem eager to shore up their own districts by jettisoning minority neighbourhoods, university towns and other left-leaning voters. That is understandable: given the scale of the Republican landslide in Texas last year, simply retaining all the existing Republican seats in next year's elections will be a struggle, however the maps are drawn.

All across the country, Republicans are afflicted by similar problems. There are some bright spots for them, such as North Carolina, where the newly Republican legislature is likely to be able to flip a few Democratic seats in Congress by rejigging the boundaries. But there are also trickier prospects, such as Illinois, where Democrats will probably succeed in undermining several freshmen Republicans. In Florida, perhaps the most glaring Republican gerrymander of the previous cycle, a new law on redistricting is likely to crimp the state legislators' most partisan impulses.

All told, both Democrats and Republicans agree, redistricting for Congress is unlikely to alter the balance much, with Republicans focusing for the most part on consolidating the gains they made at the last election. Despite the Republicans' notional domination of the process, there will be few direct Democratic casualties. That will only be scant consolation to the Democrats, however, who will still face the daunting task of dislodging a mighty Republican majority of 49 in the House of Representatives.

Index | United States

Out of the whirlwind

The South cleans up after the deadliest storms in 86 years



The fearful trail

PLEASANT RIDGE BAPTIST CHURCH, set on a busy commercial street in Hueytown, a dozen miles south-west of Birmingham, was open for business. So was the Dairy Queen across the street, and the nearby Publix grocery store. Traffic was thick on Hueytown Road. But the church's business was not strictly ecclesiastical. It was also serving as a Red Cross shelter for those left homeless just a few miles away. Church members were collecting donations of clothes, water and toiletries. And at the Publix, signs at the checkout counters told shoppers they could help their neighbours with donations added to the cost of their groceries.

Such is the nature of tornadoes: even large ones rain intense destruction on relatively small areas. The one that ran from Tuscaloosa north-east to Birmingham was immense, 1.5 miles across and 80 miles long, with winds exceeding 165 miles per hour. Parts of Alabama were utterly ruined, but most of the state was untouched. More than 300 tornadoes tore through the region between April 25th and 28th, an unprecedented number. They killed around 340 people in seven states, with the bulk of the deaths in Alabama. Not since 1925 have more people been killed by tornadoes in a single day, and not since Hurricane Katrina has there been a deadlier natural disaster in America.

Craig Fugate, who heads the Federal Emergency Management Agency (FEMA), says that comparing the tornadoes to Katrina is "comparing apples to oranges...each disaster is different, and you respond to the disaster you're dealing with." As a matter of meteorology, Mr Fugate has a point. Katrina affected an area roughly the size of Great Britain and made landfall six days after it formed. Tornadoes are smaller; they form and die more quickly. Gregory Carbin, the warning-co-ordination meteorologist at the National Weather Service's Storm Prediction Centre, says that last week's storms were of a once-in-a-century severity, and afforded some of those hit as little as 20 minutes' warning.

As a political matter, however, the comparison is hard to avoid. FEMA came under withering criticism for its slow and poorly co-ordinated response to Katrina, particularly to the flooding of New Orleans. Its performance this time was swifter and surer. The agency had emergency response teams in place in Hoover and Tuscaloosa by April 29th, working in co-ordination with Alabama's emergency operations centre around 55 miles south of Birmingham. Barack Obama declared major disasters in Alabama on April 28th, in Mississippi on the 29th, Georgia on the 30th and Tennessee and Arkansas after that, making federal funds available to individuals, state and local governments.

By Monday several cabinet members as well as the president had visited Alabama. FEMA expects to move into a joint field office, housing all federal responders, by week's end; it too will remain open as long as necessary.

Just what that means is unclear: rebuilding may take years. It will also be expensive in a region that can ill afford it: Alabama, Georgia, Tennessee and Mississippi were all projecting budget shortfalls for next year already. Clean-up costs alone in Jefferson County, home to Alabama's largest city, may exceed $400m. The only consoling news, says Mr Carbin, is that "we know what happened is pretty rare." Unfortunately, while an unusually large number of tornadoes struck this April, on average May is the more active month.

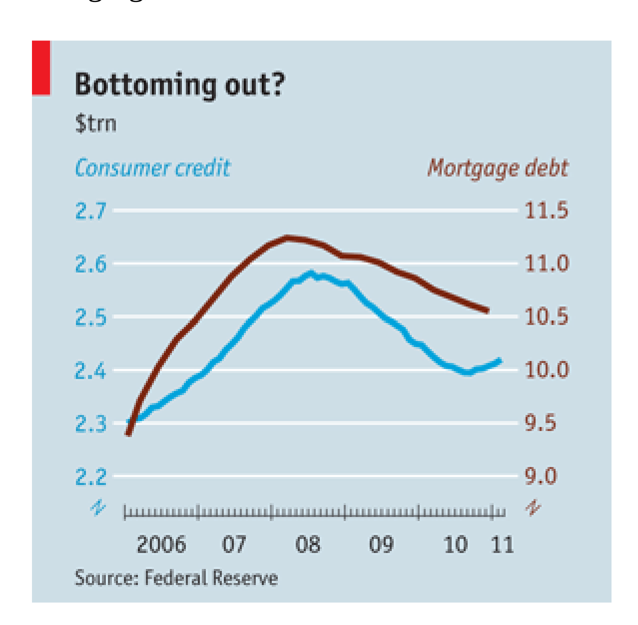
Index | United States

Consumer borrowing

Taking credit

Consumers tiptoe back towards borrowing, but not for houses

AMERICA'S economic recovery will soon be two years old, yet it remains disappointingly weak. That is due, more than anything, to the painful process of deleveraging, as banks and borrowers work off a mountain of debt.



There are, however, glimmers of a turn-around. A survey released on May 2nd by the Federal Reserve found more banks easing standards for consumer loans than at any time since 1994. And sure enough the figure for consumer loans excluding property has risen in recent months (see chart).

The data reveal telling cross-currents: rising confidence and incomes are delivering a boost to some forms of credit, even as a fundamental shift in attitudes, born of the recession, continues to chip away at America's culture of borrowing.

The biggest contributors to the uptick have been student loans and rising car sales, helped in turn by newly-pushy banks and other lenders. On May 3rd Ally Financial, the former financing arm of General Motors (and still, unlike the carmaker, majority government-owned) said total new-car loans rose 55% from a year earlier, used-car loans more than doubled, and leases nearly tripled.

Credit-card lending is still shrinking, though much more slowly than a year ago. Those with cards are spending more as the economy and incomes pick up, according to Nilson Report, a credit-card industry newsletter. But the number of Americans with cards has shrunk, to 152m last year, down 14% from the peak in 2007 and the lowest for over a decade. This is down to the growth of debit cards, to previously good customers turning delinquent because of hard times, and to banks taking cards away from marginal customers, in part because of the CARD Act, passed in 2009, which bars unsavoury practices that once made such customers profitable.

Big banks have replaced late-payment fees with penalty interest rates of nearly 30% and some are charging annual fees on cards that previously had none. By making the true cost of plastic more obvious, it makes it less popular.

Mortgage lending remains the sickest part of the credit market. New mortgages plunged 35% in the first quarter of this year from the last quarter of 2010 according to Inside Mortgage Finance, a trade publication. Moribund demand for homes, despite rock bottom rates, is an important part of the reason. But so are underwriting standards, which, the Fed's survey found, have remained tight.

Standards are likely to tighten further in the years ahead. Rules now in the works resulting from the Dodd-Frank financial regulation law would require a bank, which would in the past routinely sell off 100% of a newly-originated mortgage, to keep at least 5% of it unless the customer, among other things, manages a down-payment of at least 20%. Few borrowers can meet that threshold, and they will thus face even higher costs.

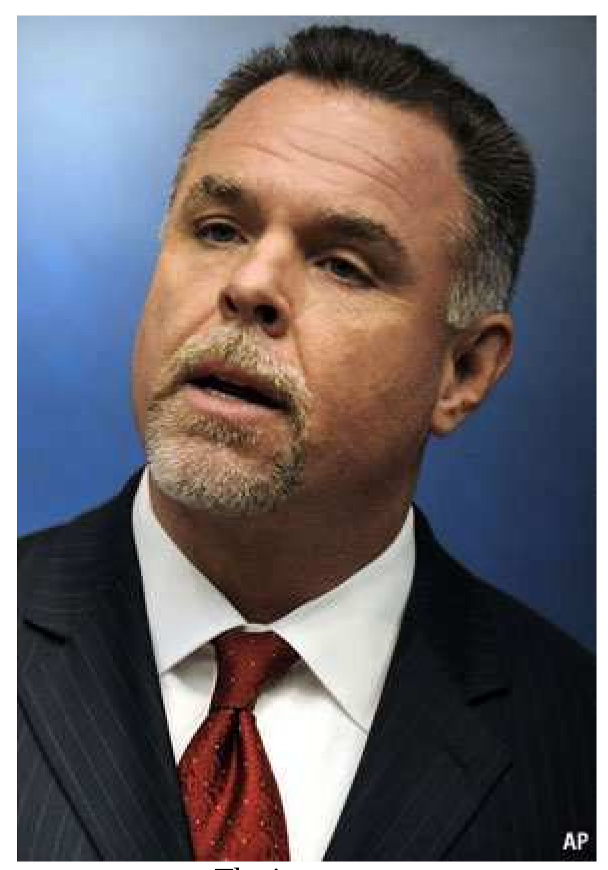
Americans might well see this as an attack on their historical right to own a home no matter how precarious their finances. But the evidence is that they, too, now take a far more jaundiced view of the sanctity of the mortgage. A number of studies have found a striking increase in customers defaulting on mortgages they can still afford to service, mostly because they exceed the fallen value of their home. Such people, however, often seem to remain current on their car and credit-card loans. That is a change from previous behaviour, and perhaps another sign that home ownership does not have quite the hold on the American psyche that it once did.

Index | United States

Chicago's new police superintendent

The new blue

Newark's crime-cutting cop comes to Chicago



The innovator

RAHM EMANUEL, soon to be sworn in as Chicago's new mayor, is making crime a priority. He wants to put 1,000 more officers on the streets. He wants to tackle youth violence; nearly half of the victims of last year's 436 murders were between 10 and 25 years old. And he wants to shake up a police department that is demoralised and in need of change. So on May 2nd he tapped Garry McCarthy (pictured), Newark's police director, as the city's new top cop.

Mr McCarthy's track record is excellent. Five years ago some police stations in Newark, New Jersey's biggest city, did not even have a computer. Many officers worked only on weekdays, heading home at 5pm. The police department did not have a centralised narcotics division because of fears of police corruption. Drugs were sold openly on the city's grim streets. Mr McCarthy, who rose through the ranks of New York's police department, shifted desk jobs to the street, where officers were ordered to clamp down on petty crime as well as the more serious stuff. He implemented CompStat, an effective data-driven policing strategy he helped create when he was with the NYPD. He installed a surveillance system to take on gun crime.

Police productivity increased, sick days decreased and crime began to fall. In 2008 Newark led the nation in murder reduction with a 32% decrease. March 2010 was Newark's first murder free month in decades-37 days without a killing. This past year, however, has been difficult. Crime has increased. Last summer saw 35 murders, carjackings plagued the city and in November 167 police jobs were cut because of a budget gap and an impasse with the police union. Chicago might well have looked attractive.

He will have to win the trust of Chicago's police officers. Mr McCarthy will fight gangs by joining forces with community groups, as he did in Newark. He will emphasise beat policing, posting police around the clock in crime-ridden areas. "He will be a good fit for Chicago", predicts David Kennedy of John Jay School of Criminal Justice. He is both a "cop's cop" and open to innovation.

Index | United States

Preschool funding

Toddle to the top

Cash-strapped states cut funding for nurseries



They can't take that away from me

LILY, who is three-and-a-half, loves her nursery school in Queens. Her mother calls her "the sponge" because every day she comes home with new nuggets of knowledge. But not every child is as lucky as Lily. A new report by the National Institute for Early Education Research (NIEER) shows that states' preschool funding is declining, which means fewer children will have access to early education, which most agree is essential especially for children living in low-income households. The study looked at the 40 states which fund programmes for three- or four-year-olds. "State cuts to preschool funding transformed the recession into a depression for many young children," says Steven Barnett, author of the NIEER report.

State preschool spending per child decreased by $114 to $4,028 last year. This is almost $700 less than in 2001-2002. Were it not for the additional funding provided by the American Recovery and Reinvestment Act, it would be much less. Worryingly, the funding situation may get worse. The stimulus money helped keep many states afloat, a cushion that no longer exists. Only three states (Connecticut, Maine and Vermont) increased spending per child by more than 10%. Nine (Alabama, Arizona, Kansas, Kentucky, Louisiana, Massachusetts, Nebraska, Ohio, and South Carolina) cut spending by at least 10%. Ohio, once a leader in early education, now has one of the lowest percentages of youngsters enrolled. It cut funding more than any other state.

Arne Duncan, the education secretary, understands that states are watching every penny. Tightening budgets is the new normal, he admits, "but there are smart ways to cut and they are dumb ways to cut." Cutting early education, he reckons, is one of the dumb ones. Mr Duncan is, in fact, making early education one of his priorities, by including it in the next round of funding for Race to the Top, the big federal programme for schools.

Ten states do not provide any funding at all for preschoolers, and some appear to fund it only haphazardly. In Florida preschool programmes are available to all 4-year olds. The problem there is not quantity, but quality. Some programmes-and not just in Florida-are nothing more than glorified baby-sitting. The report encourages states to set and stick to standards so that children are prepared for kindergarten at five. But more financial woe could be on the way. Congress is considering a Republican proposal to cut Head Start, a federal preschool funding programme for poor families. Chester Finn of the Thomas Fordham Institute, an education think-tank, is no fan of universal preschool. He thinks it makes more sense to focus the limited resources available on intensive programmes for the neediest children.

Mr Duncan insists education, especially early education, is vital for America to stay competitive. An OECD report found that although the United States spends more, per child, on education than any other OECD country, it lags behind in funding the early years. Geoffrey Canada, head of the Harlem Children's Zone, says, "we can't afford to invest, but we can't afford not to do it". Mr Canada's programme begins not in preschool, but in utero in a programme called "Baby College".

Index | United States

Combating rape in prisons

Little and late

Efforts to stop the sexual abuse of prisoners are welcome but overdue

ON HIS last day in prison Scott Howard was sexually assaulted by his cellmate, a gang member who had assaulted him before. He explained this to the guard escorting him to his cell; she was indifferent. So, according to Mr Howard, were other guards. He was labelled a "drama queen". Eventually he settled a lawsuit against members of the state's corrections department, but during three years in Colorado's prison system Mr Howard was repeatedly raped, sexually assaulted and forced into prostitution. In the time he served in federal and state prisons in Wisconsin, Florida and Texas he said he had no such problems.

Sexual abuse in prison is distressingly common: the Justice Department estimated that more than 217,000 prisoners, including at least 17,000 juveniles, were raped or sexually abused in America in 2008. A total of 12% of juvenile detainees, 4.4% of prison inmates and 3.1% of jail inmates (in American terminology, prisons hold long-term convicts; jails hold people awaiting trial or serving short sentences) surveyed between 2008 and 2009 reported being forced into sex. And that is the number of people, not incidents; most victims are abused more than once. More inmates reported being abused by staff than by other inmates. Sex between guards and inmates is illegal in all 50 states.

But the abuse is not evenly distributed. At some facilities more than 10% of inmates reported being abused by inmates or staff; at others none did, which, like Mr Howard's experience, shows that while sexual abuse may happen often, it is not inevitable. Lovisa Stannow, who heads an advocacy group called Just Detention International, says that ending it requires three things: better prison management, sound policy and political will. The latter has been sadly lacking.

It is not hard to see why: stopping rape in prison has little political upside, and the glacial pace of federal efforts to stop it reflects this. In 2003 Congress unanimously passed the Prison Rape Elimination Act (PREA), which required the collection of data on sexual abuse in prison, and the creation of a commission to recommend national ways to prevent it. The commission's recommendations were sensible: make data on sexual assaults behind bars public; improve staff training, supervision and protection for vulnerable detainees; limit cross-gender searches and supervision, particularly when prisoners are undressed; and make it easier and safer for prisoners to report abuse.

PREA required the Justice Department to issue standards-which would be binding on federal prisons and which states and localities would have to adopt or lose federal funding-based on the commission's recommendation within 12 months. It did not. It now hopes to have standards in place by the end of this year, which would be two-and-a-half years since the commission made its report, and fully eight years since PREA passed. And while it has adopted most of the commission's recommendations, it exempts detention facilities for illegal immigrants, which PREA covered but which are not governed by the Justice Department. It also sets a shorter time limit for filing grievances, and requires less external oversight than hoped for. But at least the standards will be there-eventually, perhaps. In 2008, on average, almost 600 incarcerated Americans were sexually abused each day. The Justice Department's sloth comes at a high cost.

Index | United States

Small-town corruption

Business paradise or den of thieves?

An effort to abolish a highly unusual Californian city



EVEN Vernon's logo proclaims that the city is "exclusively industrial", and that is no exaggeration. It was founded in 1905 at a railway crossing along the Los Angeles River as a sort of Eden for business, especially the smelly, dirty and blue-collar manufacturing sort. An aerial view shows neat boundaries around its 5.2 square miles (13.5 square kilometres), as the residential neighbourhoods of Los Angeles County suddenly give way to huge blocks of warehouses and factories. Lorries seem to outnumber cars on Vernon's streets. The whiff of pigs being slaughtered hangs over those parts not covered by the aroma of coffee being processed.

In most of the world, it is inconceivable that Vernon could even be considered a "city". It has about 1,800 businesses that employ more than 50,000 workers who live elsewhere in Los Angeles County. But it has only 96 actual residents, and those live in housing tucked improbably between power stations and warehouses and mostly owned by the city.

But in southern California tiny municipalities are not unusual. A clutch of five counties there-Los Angeles, Orange, Ventura, Riverside and San Bernardino-have, between them, no fewer than 183 independent cities. That is because, for much of the past century, California incorporated cities rather as Silicon Valley today launches start-ups. In a 1967 book title, Los Angeles was "The Fragmented Metropolis".

But city-founding has now abruptly gone out of fashion and into reverse. First, several Californian cities-such as Vernon's neighbour, Maywood-ran into financial trouble largely caused by the recession. They decided they could no longer afford to duplicate all the intricate layers of local democracy and administration, and have tried to consolidate either with other cities or with the county itself.

Then, last year, came discoveries of corruption. Most notorious was Bell, another of Vernon's neighbours, where eight officials lived in remarkable style, levied illegally high taxes and are now on trial. Another city nearby, Montebello, is also being investigated on suspicions that it cooked its books.

So it was perhaps only a matter of time before lawmakers took an interest in the bizarre case of Vernon. The city happens to be in the district of assemblyman John Perez, a Democrat who is also the assembly's speaker and an up-and-coming sort. Mr Perez, citing an "unprecedented pattern of corruption", has now shepherded a bill through his lower house that would disincorporate any city with fewer than 150 residents and have it be absorbed by its county. That happens to affect only one Californian city, Vernon.

Mr Perez has some good reasons. Two of Vernon's former city officials are facing criminal corruption charges and a former mayor has already been convicted. Their alleged shenanigans included rigged salaries, outlandish expenses and perks. Vernon has usually appointed its officials, rather than electing them, since positions were not even contested. The few residents, since they live in city housing, have been politically tractable.

But for Vernon's businesses disincorporation is a step too far. After all, Vernon is really meant to be run for their benefit, not for that of the 96 residents. To a large extent, Vernon represents all that is left of manufacturing industry in Los Angeles County. Who else in Los Angeles these days would welcome belching trucks and slaughterhouses? If Vernon loses its independence, its businessmen say, its electricity company (now city-owned) will have to increase its rates, thus erasing a crucial competitive advantage. Eric Gustafson, the third-generation manager of a family-run maker of lards and shortenings, says that "if Vernon were not a city we wouldn't be here," and "if we're forced to move, we're not staying in this state." He'd move his firm to the Midwest, he reckons.

The threat of job losses and a new manufacturing exodus naturally gets legislators' attention at a time when California has barely begun recovering from recession. Mr Perez thinks the threats are overblown. But Vernon, and most of its business customers, plan to fight his bill in the state senate, then on the governor's desk and in the courts.

Even if they prevail, however, Mr Perez's bill will have done some good. Vernon's defence strategy is to reform itself voluntarily and aggressively so that corruption will cease even without disincorporation, says Mark Whitworth, the current city administrator and fire chief. There will be term limits for officials, caps on salaries, transparency in housing and so forth. After all, why get rid of an honest city? This bit of the peculiar municipal quilt that is Los Angeles may just persist.

Index | United States

Lexington

The long road home

How Osama bin Laden's death, and life, have changed America



WHAT America needs, Sarah Palin is fond of saying, is a commander-in-chief, not a professor-in-chief. Like many other Republican critics of Barack Obama, the former governor of Alaska ought to be eating her words. Indeed, after the daring raid that killed Osama bin Laden, America has discovered that its commander-in-chief is one cool cat. The president issued the order for the attack on Friday April 29th and it was executed on the Sunday. In between, on the Saturday night, a relaxed Mr Obama gave a wisecracking speech at the annual White House correspondents' dinner. Flashing his toothsome smile, he poked fun not only at Donald Trump, the presidential wannabe who had questioned whether the president was a real American, but also at himself for his professorial ways and tanking poll numbers.

The joke now is on the critics of the president's foreign policy. In one gloriously mistimed editorial, written just ahead and in ignorance of the raid on Abbottabad, Bill Kristol, editor of the conservative *Weekly Standard*, mocked Mr Obama for "leading from behind". All the Republicans had to do, argued Mr Kristol, was to nominate "a real leader: a workhorse not a show horse; a steady hand not a flip-flopper; a profile in courage not in cleverness; a competent man or woman with strength and confidence in defence of liberty at home and abroad."

Mr Obama can now claim to be such a man. It may have been mere luck that the CIA at last found its quarry on his watch. But his cool supervision of what followed, and his brave decision to send men in helicopters rather than bombs from afar, have made a nonsense of the much-repeated Republican refrain that he is soft on terrorism or-a favourite aspersion-"in over his head" on national security. As a result, his ratings have surged. A poll this week by the Pew Research Centre and the *Washington Post* found that 56% of Americans approved of the way he was handling his job, up from 47% in April. His ratings for dealing with the war in Afghanistan and the threat of terrorism have improved dramatically-by 16 points and 14 points respectively since January. More than seven out of ten Americans say they feel relieved that Mr bin Laden is dead and six out of ten feel proud.

It is a sweet moment for the president. But the moment will pass. Had the raid happened 17 months hence, it might have been an "October surprise", like Richard Nixon's Vietnam peace breakthrough on the eve of the presidential election of 1972. As it is, both polling and precedent suggest that the killing of Mr bin Laden will turn out to have little impact on Mr Obama's prospects for re-election in November 2012. Pew's data show that 55% of Americans still disapprove of his handling of the economy. Precedent suggests that voters unhappy about the economy will dump successful war leaders. The first George Bush's triumph in the first Gulf war did not win him a second term. British voters turfed out Winston Churchill two months after his victory against Hitler. And Mr Obama has not "won" the war against al-Qaeda. Killing Mr bin Laden has scotched the snake, not killed it.

For most Americans, the significance of Abbottabad is anyway not about its possible impact on electoral politics. Nor, apart from a handful of raucous gatherings when the news first broke, has there been much jingoism. There is natural pride in the performance of the armed forces, so different from the debacle of Jimmy Carter's hostage-rescue mission in 1980 and Bill Clinton's Black Hawk Down moment in Mogadishu in 1993. But the overall mood this week has been quiet satisfaction rather than boastfulness. By tracking down and killing the man who ordered the felling of the twin towers, America feels it has righted a wrong: "Justice has been done," said Mr Obama. There is catharsis, too. A few of the relatives of the nearly 3,000 Americans killed on September 11th 2001 say they feel at least some sense of "closure".

The damage he did

Nations, however, do not heal in the same way that people do. It will take much more than this to help America as a whole recover from the harm Mr bin Laden inflicted. That harm extends beyond the lives lost that day, or in the costly and bloody wars that followed in Iraq and Afghanistan. A full audit of the damage must include the deep change he wrought in America itself.

At home, a new generation is coming of age with little memory of the more open and trusting America of ten years ago. The new America keeps looking over its shoulder. It is permanently vigilant and relentlessly intrusive. Few people complain about the security-inspired hassles that have infected everyday activities, from boarding an airliner to applying for some required government document. Safety first is, understandably, the order of the day in a world in which killers hide bombs in their shoes and underpants. But the cumulative result of all these precautions is a wretched thing. A culture of suspicion, and its accompanying bureaucracy, take away trust in your fellow man. A less tolerant America, whose prosperity was built on openness to the world, has shut down its borders and locked out many of the skilled and eager immigrants whose help it could dearly use.

How much of this can be reversed? A lot depends on whether people and their politicians see the value in trying. Early excesses in the war on terrorism, such as waterboarding, warrantless wiretapping and "extraordinary renditions", have been stopped or rolled back. America's strong Bill of Rights, respect for the law and tradition of liberty have helped to hold the goons and snoopers at bay. But fear, and the awful deeds that fear inspires, are hard to uproot. Americans are already quarrelling about whether it was waterboarding, now banned, that produced the tip that led the CIA to Abbottabad. With Mr bin Laden in his watery grave, a chapter may close. But the country he attacked faces a long road home to the more innocent place it was ten years ago.

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Canada's general election

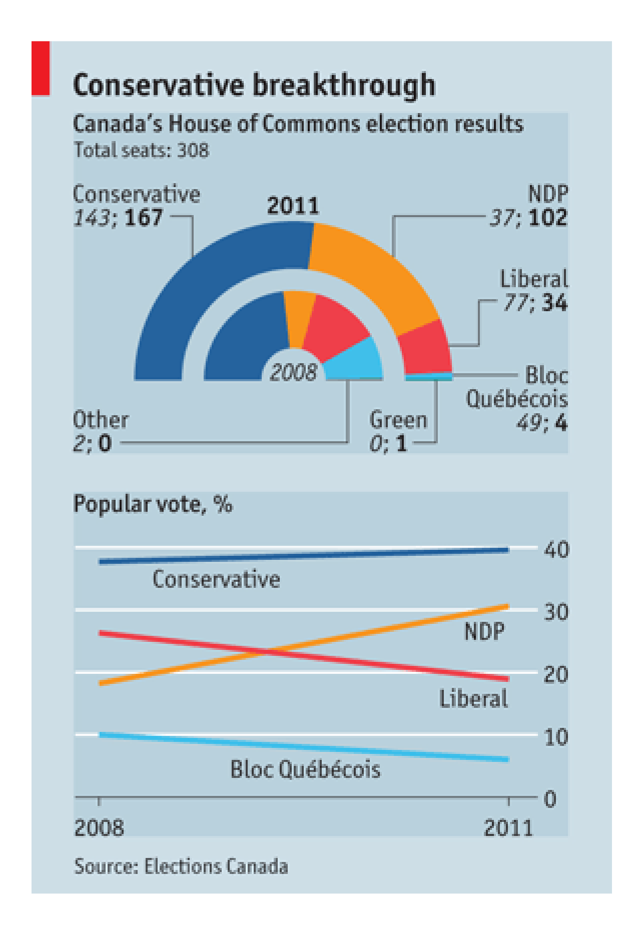
Harper's champagne moment

The death of Liberal Canada produces a Conservative majority. What now?



CANADIANS woke up on May 2nd with a Conservative government and went to bed that evening having voted for another one. But their fourth general election in seven years was in many ways the most transformative. Stephen Harper, who has led a minority government since 2006, finally won his much-coveted majority in the House of Commons, where he will command 167 of the 308 seats. Mr Harper, who normally cuts a stiff, cold figure, was, by his standards, relaxed and smiling in his moment of triumph. Although he is "not normally a drinker" he had obliged his staff by quaffing a bottle of champagne-though they had drained it of all but a mouthful, he admitted (see picture).

The prime minister's jubilation was in part because of the manner of the Conservative victory. The election saw the crushing of the once-proud Liberal Party, which Mr Harper had ousted in 2006 after a dozen years in office. Michael Ignatieff, a writer and academic who only entered politics that year after almost three decades abroad, resigned as Liberal leader after losing his seat. The separatist Bloc Quebecois was all but wiped out after almost two decades in which it has won a majority of seats in the French-speaking province at federal elections. The New Democrats (NDP), previously little more than a leftish protest party, made huge gains in Quebec and more modest ones elsewhere to become the official opposition.



The election was not of Mr Harper's choosing. The three opposition parties joined forces to bring down his government on March 25th on the grounds that it was in contempt of parliament for refusing to divulge the true cost of various budget plans, including buying fighter jets and building new prisons. But Mr Harper seized the opportunity to tell Canadians that the deadlocked and partisan parliament had become dysfunctional, and that a country still recovering from the world recession needed the political stability that only a majority government could bring.

The Conservatives had prepared for the campaign much more effectively than their opponents. Even before it started, through relentless American-style "attack ads", they had typecast Mr Ignatieff, the Liberal leader, as a carpet-bagging elitist who had returned to Canada only for personal glory. Mr Ignatieff found no effective answer to that: the Conservative taunt of "Just Visiting" stuck as firmly to him as their gibe of "Not a leader" stuck to his hapless predecessor as Liberal leader, Stephane Dion.

In the event, the Liberals were crushed by a campaign that turned into a right-left ideological battle. Their 34 seats amounted to their lowest haul ever. It was the NDP's cheerful leader, Jack Layton, who captured most of the anti-Harper votes, while also riding a huge wave of protest against all the other parties in Quebec. And Elizabeth May won a first-ever seat for the Green Party, in British Columbia.

Now that he has a majority, Mr Harper is likely to move swiftly to enact measures blocked in the previous parliament. These include an omnibus crime bill that introduces stiffer sentences; the final stage of a five-year plan to cut corporate

income tax, from 21% to 15%; and the controversial purchase of F-35 fighter jets, at a cost the government estimates at about $75m each but which the Pentagon says could be double that amount.

What else might Mr Harper do with his new power? Certainly he is unlikely to rush to introduce measures to curb carbon emissions as the opposition wanted and as the energy-producing western province of Alberta, with its carbon-belching tar sands, feared. "Western Canada can breathe a lot easier," Mr Harper said in Calgary, the Albertan oil capital that he represents in parliament.

His opponents have long claimed that a majority will allow Mr Harper to unwrap a bundle of measures, such as curbs on abortion, that are dear to the social conservatives who make up a chunk of his party's activists. But the prime minister got where he has by being cautious, and in victory he signalled that he would remain so. "One thing I've learned in this business is that surprises are generally not well-received by the public," he said, adding that he would stick to "what Canadians understand about us and I think what they're more and more comfortable with."

The bigger change thrown up by the election is on the opposition benches. The NDP, a collection of trade unionists, farmers and now, soft-nationalists with socialist leanings from Quebec, may not find its new prominence easy to manage. Its 58 MPs from Quebec (up from one in the last parliament) comprise an unlikely group of students (one aged only 19), ex-communists, teachers and activists, sprinkled with some seasoned politicians. One of the new MPs spent part of the campaign in Las Vegas on holiday.

The Bloc Quebecois has been reduced to a rump. Its long-serving leader, Gilles Duceppe, resigned. But although separatism will no longer be a force in federal politics, it is not dead. The next provincial election in Quebec is likely to see the Bloc's sister organisation, the Parti Quebecois, return to power in Quebec City.

What now for the Liberals? Some in the party favour merger with the NDP to create a new centre-left group. They are mindful of the successful precedent set by the Conservatives, a party formed from the merger of the rump of the once-mighty Progressive Conservatives and the Reform Party, a populist western outfit that counted Mr Harper among its founders. Mr Ignatieff said when he stepped down that he is against a merger and that the Liberals should continue to strive to occupy the middle ground. The next few years may show whether Mr Harper's victory and Mr Layton's success has eliminated the mushy middle, or merely placed it in abeyance.

Index | The Americas

Brazil's World Cup preparations

Late kick-off

Airports and stadiums are behind schedule



They will come. But will Brazil build it?

THE 2014 football World Cup, to be held in Brazil, should provide an opportunity for the hosts to show what they can do, both on and off the pitch. Its footballers define *o jogo bonito* ("the beautiful game"), and these days the country's economy is pretty good to watch as well. But it seems ever more possible that the country will drop the off-field ball. The 12 host cities have among them nine airport redevelopments which are well behind schedule. Sao Paulo has not even started to build the new stadium that is supposed to stage the opening match. In Rio de Janeiro the Maracana stadium (pictured), pencilled in for the final, is a money-guzzling building site. The contract for Natal's proposed arena was signed only on April 15th-more than three years after Brazil was named host.

Air travel is essential to shuttle fans between games, but most of Brazil's airports are already operating above their nominal capacity. Baggage handling and check-in are slow; delays and cancellations common. On April 14th IPEA, a government-linked think-tank, said that even if all the planned airport upgrades were completed by kick-off (which it said would not happen), hectic growth in local demand would still leave most airports overcrowded-even without 1m football fans stopping by. The number of internal flights taken annually rose by 83m in 2003-10 and will rise by almost as much again by 2014, the study said.

IPEA's warnings did not go down well with the government. Gilberto Carvalho, the secretary-general of the presidency, said they were "cobbled together from press clippings" and Brazilians, who suffered from an inferiority complex, were "betting on disgrace". But it has long been obvious that the airports need radical change. Infraero, the sluggish state-owned monopoly that operates them, is so inefficient that for years it has failed to spend even half its budget for airport upgrades.

On April 26th came the long-awaited news that the government would turn to the private sector for help. Antonio Palocci, the chief of staff to the president, said concessions were being considered for five airports: first Brasilia's airport and two of Sao Paulo's, and later one each of those in Belo Horizonte and Rio de Janeiro. But he gave no details of the terms on which the private consortia will operate, or how closely they will have to work with Infraero. Only three of the five airports he mentioned are on IPEA's critical list.

Private-sector investment is very welcome, says Paulo Resende, an infrastructure specialist at the Fundacao Dom Cabral, a business school. But just as important for the World Cup is realism about what is possible by 2014. New terminals, runways, technology and even entire new airports are needed to satisfy domestic demand, he says. "But if we persist in saying that everything will be ready for the World Cup, no matter what, we risk making fools of ourselves," he says.

Mr Resende thinks that the tournament will need quick fixes, such as temporary check-in desks and waiting areas in airport car parks, and pressing smaller airfields into service. According to Respicio Espirito Santo, an aviation consultant, airlines will probably find seats for foreign football fans by suppressing domestic demand with big fare rises. Both worry that the government's plan to speed things up by relaxing normally strict rules on building and managing publicly funded projects will lead to rampant cost escalation, as happened with the facilities for the Pan American Games in Rio de Janeiro in 2007. Brazil may still be ready for kick-off, though perhaps with fewer stadiums than it had originally planned. But it looks likely to pay a high price for a successful tournament.

Monopolies in Mexico

Compete-or else

At last, a crackdown

MEXICAN corporate oligarchs have never had much to fear from the country's competition authorities. Until recently, investigators politely had to give notice the day before raiding premises. Offenders stalled for years in court before coughing up their fines. Even then, the maximum penalty for first-time violators of competition rules was 85m pesos ($7.3m)-"not even peanuts, but plankton," one prosecutor admits. And so Mexico's corporate whales grew fatter.

But last month the Federal Competition Commission hit the country's biggest whale with a fine of 11.99 billion pesos ($1 billion), the heaviest penalty ever. It claimed that Telcel, which has 70% of Mexico's mobile-phone market and is controlled by Carlos Slim, the world's richest man, had abused its dominant position by charging competing networks sky-high connection fees. Telcel, whose connection charges are 44% higher than the average in the mainly rich countries that are members of the OECD, will appeal.

The billion-dollar fine was made possible by a 2006 law that allowed repeat offenders such as Telcel to be charged up to 10% of their assets. On April 28th Congress approved a new law that introduces even tougher penalties. Those found guilty of collusion-but not abuse of market dominance, of which Telcel is accused-face up to ten years in prison. All offenders, not just recidivists, will face fines of up to 8% of annual sales for abuse of market dominance, and 10% in the case of collusion. The commission will now be able to carry out surprise inspections, allowing it to gather evidence before it is shredded. The abolition of the notice requirement will allow Mexico to take part in co-ordinated international swoops, from which it had often been excluded for fear that it would tip off suspects in other countries.

Enforcement remains a problem. Officials fear that Mr Slim's lawyers could stall payment of Telcel's fine by a decade or more. The commission is still fighting a case against a drinks-bottling company that it brought in 2000. But it says that its court cases now take an average of two years, whereas a decade ago they took five or six. And it now wins three-quarters of them, up from a third. An official says this is partly because it has learned to gear its arguments towards lawyers, rather than economists.

A government scheme to bring in foreign experts to teach Mexican judges about antitrust has also sped things up. The new law makes provision for a special tribunal to consider competition cases; its details are to be hammered out in Congress over the next six months. But already judges are becoming tougher. On May 3rd the Supreme Court ruled that Telcel must obey an order by the telecommunications regulator to cut some connection fees by more than half, which it had previously resisted.

Ironically, the corporate whales themselves have helped to raise public consciousness of market dominance. A very public spat between Mr Slim (who wants to enter the television market) and a pair of broadcasting billionaires (who want more of the phone business) has seen each complain of the unfairness of the others' alleged monopoly. This has made it easier for politicians to acknowledge that monopolies hurt Mexican consumers rather than strengthening Mexican companies.

But many industries remain competition-free zones. Juan Pardinas of the Mexican Institute for Competitiveness, a think-tank, points out that the new law will do nothing to loosen the grip of state-run monopolies in oil and electricity.

Even in the private sector, some companies may not worry too much about the threat of higher fines. The commission reckons that excessive connection fees have cost mobile-phone customers $6 billion a year, most of which has gone into the pockets of the telephone companies. Suddenly Telcel's $1 billion fine doesn't look so hard to swallow.

The next anchovy

Coming to a pizza near you



THANKS to the cold Humboldt current, Peru's inshore waters are home to one of the world's greatest fisheries. Its keystone is the fast-growing *anchoveta*. Vast shoals of this member of the anchovy family feed on upswelling algae; they are themselves eaten by scores of other species of fish.

For decades *anchovetas* have been ground into fishmeal, of which Peru is the world's top producer. They have suffered from rampant overfishing, whose effects are sometimes amplified by the disruptive El NiÃ±o and La NiÃ±a weather patterns. The annual catch peaked at 12m tonnes before the stock collapsed in 1972, taking years to recover.

Now Peru is trying to make better use of one of its prime resources, in two ways. The government has introduced a quota aimed at ensuring that 5m tonnes of *anchoveta* are left each year as spawning stock. Since 2009 this has been refined so that the overall quota (set at 4.1m tonnes this year for the first of the two fishing seasons) is divided up among the country's 1,600 registered trawlers. Each boat's quota is transferable; the aim is to have a smaller, more efficient fleet.

In January the minister of production, Jorge Villasante, ended the season with less than 35% of the quota caught because there were too many juveniles, he says. Management of the fishery has improved, concedes Patricia Majluf, a zoologist at Lima's Cayetano Heredia University, but she says there is still not enough information about stocks to know whether it is sustainable.

At the same time, some in the fishing industry have realised that selling *anchoveta* as food for people, rather than as fertiliser or animal feed, is more profitable. Human consumption of *anchoveta* in Peru has risen from 10,000 tonnes in 2006 to 190,000 tonnes in 2010. Most of this is canned, like sardines.

One fishing company, Inversiones Prisco, has begun to produce salted and cured anchovy fillets. They are smaller than the prized Mediterranean or Cantabrian anchovy. But supply is far more abundant. Prisco is already the world's "fifth or sixth" biggest exporter of anchovies, according to Hugo Vernal, its manager. It is investing $30m to double production. "It would be irrational to think that in ten years' time we will continue to allow a fish that could feed people to be ground up for farming," says Mr Vernal.

Index | Asia

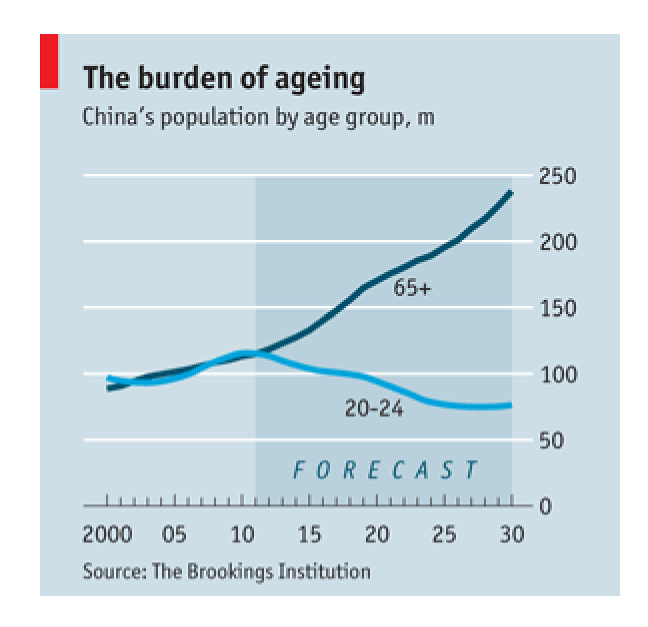
The most surprising demographic crisis

A new census raises questions about the future of China's one-child policy



DOES China have enough people? The question might seem absurd. The country has long been famous both for having the world's largest population and for having taken draconian measures to restrain its growth. Though many people, Chinese and outsiders alike, have looked aghast at the brutal and coercive excesses of the one-child policy, there has also often been a grudging acknowledgment that China needed to do something to keep its vast numbers in check.

But new census figures bolster claims made in the past few years that China is suffering from a demographic problem of a different sort: too low a birth rate. The latest numbers, released on April 28th and based on the nationwide census conducted last year, show a total population for mainland China of 1.34 billion. They also reveal a steep decline in the average annual population growth rate, down to 0.57% in 2000-10, half the rate of 1.07% in the previous decade. The data imply that the total fertility rate, which is the number of children a woman of child-bearing age can expect to have, on average, during her lifetime, may now be just 1.4, far below the "replacement rate" of 2.1, which eventually leads to the population stabilising.



Slower growth is matched by a dramatic ageing of the population. People above the age of 60 now represent 13.3% of the total, up from 10.3% in 2000 (see chart). In the same period, those under the age of 14 declined from 23% to 17%. A

continuation of these trends will place ever greater burdens on the working young who must support their elderly kin, as well as on government-run pension and health-care systems. China's great "demographic dividend" (a rising share of working-age adults) is almost over.

In addition to skewing the country's age distribution, the one-child policy has probably exacerbated its dire gender imbalance. Many more baby boys are born in China than baby girls. China is not unique in this; other countries, notably India, have encountered similar problems without coercive population controls. But Chinese officials do not dispute that the one-child policy has played a role. China's strong cultural imperative for male offspring has led many families to do whatever they must to ensure that their one permissible child is a son. In the earliest days of the one-child policy, this sometimes meant female infanticide. As ultrasound technology spread, sex-selective abortions became widespread.

The new census data show that little progress is being made to counter this troubling trend. Among newborns, there were more than 118 boys for every 100 girls in 2010. This marks a slight increase over the 2000 level, and implies that, in about 20 or 25 years' time, there will not be enough brides for almost a fifth of today's baby boys-with the potentially vast destabilising consequences that could have.

The census results are likely to intensify debate in China between the powerful population-control bureaucracy and an increasingly vocal group of academic demographers calling for a relaxation of the one-child policy. Their disagreement involves not only the policy's future, but also (as so often in China) its past.

One of the academics, Wang Feng, director of the Brookings-Tsinghua Centre for Public Policy, argues that China's demographic pattern had already changed dramatically by the time the one-child policy began in 1980. The total fertility rate had been 5.8 in 1950, he notes, and had declined sharply to 2.3 by 1980, just above replacement level.

Other countries achieved similar declines in fertility during the same period. The crucial influences, Mr Wang reckons, are the benefits of development, including better health care and sharp drops in high infant-mortality rates which led people to have many children in order to ensure that at least some would survive. By implication, coercive controls had little to do with lowering fertility, which would have happened anyway. Countries that simply improved access to contraceptives-Thailand and Indonesia, for instance-did as much to reduce fertility as China, with its draconian policies. Taiwan, which the government in Beijing regards as an integral part of China, cut its fertility rate as much as China without population controls.

The government denies the one-child policy was irrelevant. It insists that, thanks to the policy, 400m births were averted which would otherwise have taken place, and which the country could not have afforded. Ma Jiantang, head of China's National Bureau of Statistics, insisted "the momentum of fast growth in our population has been controlled effectively thanks to the family-planning policy."

There are many reasons for the government's hard-line defence of its one-child policy. One is a perhaps understandable view that China is unique, and that other countries' experience is irrelevant. A second is that, though the policy may not have done much to push fertility down at first, it might be keeping it low now. A third is that, if controls were lifted, population growth might rise. In fact, there is little justification for such fears: in practice, the one-child policy varies from place to place; it hardly applies to China's minorities and is more lightly applied in rural areas-and there is no population boom in those parts.

Anyway, argues Joan Kaufman of the Heller School for Social Policy and Management at Brandeis University, official support for the policy is only partly to do with its perceived merits: it is also the product of resistance by China's family-planning bureaucracy. This has massive institutional clout (and local governments have a vested interest in the fines collected from violators). "The one-child policy is their raison d'etre," says Ms Kaufman.

Mr Wang and his colleagues argue the one-child policy should go. The target reductions in fertility rates were reached long ago. Current rates, he says, are below replacement levels and are unsustainable. The time has come for the first big step: a switch to a two-child policy. Research by his group suggests few families in China would choose to have more than two.

There are signs that the academics are succeeding in their campaign to make the population debate less politicised and more evidence-based. Mr Ma of the National Statistics Bureau spoke not only of adhering to the family-planning policy, but also of "cautiously and gradually improving the policy to promote more balanced population growth in the country". In his comments on the census, President Hu Jintao included a vague hint that change could be in the offing. China would

maintain a low birth rate, he said. But it would also "stick to and improve" its current family-planning policy. That hardly seems a nod to a free-for-all. But perhaps a "two-for-all" may not be out of the question.

Index | Asia

Thailand's general election

Shirt v shirt

Thailand's forthcoming polls will be dominated by a man from Dubai, his sister and an old Etonian

THE last cabinet meeting of Abhisit Vejjajiva's administration on May 3rd was also its longest. Ministers arrived at 8am and burned the midnight oil. And rather as Gladstone, the grand old man of 19th-century British politics, dubbed his own last cabinet meeting in March 1894 "the blubbering cabinet" (because ministers wept at his departure), so Mr Abhisit's last might be called "the spendthrift cabinet". Ministers approved 102 spending proposals, totalling billions of dollars. Plainly, an election is in the offing.

Having promised to go to the polls in the first half of the year, Mr Abhisit is now expected to dissolve parliament as soon as he can and call an election for June 26th, or soon after. In Thailand's polarised political environment, the contest will be bitter. Many reckon the country will be lucky to escape further violence. And whatever the result, some will not accept it.

At the centre of the show is the man who has dominated and divided Thai politics for over a decade, the former prime minister, Thaksin Shinawatra. Deposed in a coup in 2006 and banned from politics in Thailand, he is now in exile in Dubai. But his devoted followers, the red shirts, have kept the flame glowing, often in the face of extreme government hostility. Scores of their number were gunned down during a prolonged protest in central Bangkok a year ago. They see this election as possibly their last chance to right the wrong of that coup. Mr Thaksin's supporters form the Pheu Thai party. It constitutes the main challenge to Mr Abhisit's ruling Democrat Party. Polls suggest it could win the most parliamentary seats, although not an outright majority.

Many non-partisan Thais had hoped that Pheu Thai would evolve into an issues-based party rather than remain a Thaksin fan-club. Fat chance. As the election nears, the opposite is happening. Mr Thaksin himself has been addressing supporters for hours by videolink and it is likely that the person who will lead the party into the election will be his own younger sister, Yingluck Shinawatra. A 43-year-old businesswoman, she has almost no experience of politics.

The Thaksinisation of Pheu Thai is not universally popular in the party. Some think Ms Yingluck will re-invigorate the base, but others retort that she is untested and may put off voters tired of the relentless focus on the fortunes of one man- and now one family.

Yet the party does not have a lot of choice, because of government crackdowns. Chaturon Chaisang, a former deputy prime minister, points out that in 2007 the government banned 111 leading members of Mr Thaksin's party from politics for five years. More were banned later. Mr Chaisang cannot even vote. With so many leaders sidelined, Pheu Thai's remaining talent pool is shallow.

Pheu Thai's weakness is Mr Abhisit's opportunity. He was installed by the military and, after three shaky years in power following the coups and turmoil of 2006-08, the British-born old Etonian will probably never have a better chance to win his own mandate. Even here though, Mr Thaksin influences the agenda.

The Democrat Party's main appeal lies in its successful stewardship of the economy since the economic crisis of 2008-09, which Thailand survived remarkably well. But the party also hopes to eat into Mr Thaksin's support by copying the populist economic policies that enabled him to build it up in the first place. So there has been an expansion of a social-security scheme to cover millions of workers in the informal economy; low-interest loans for taxi-drivers; free electricity for some households; cash transfers to farmers; and more money for the elderly.

The question is whether the campaign will be a proper contest of people and ideas-or another round in the near-civil war that has riven politics for over a decade. Two recent reports, one by the New York-based Human Rights Watch, the other by the Brussels-based International Crisis Group, both chronicle how virtually nothing has come of the government's policy of reconciliation with the opposition. On the day of the cabinet meeting, Freedom House, a Washington-based think-tank that rates degrees of political repression, downgraded the Thai media from "partly free" to "not free"-the same as neighbouring Cambodia.

In this atmosphere some red shirts argue that it will be almost impossible to hold a free and fair election. Equally dangerous, militant anti-Thaksinites, the yellow shirts, are boycotting the vote altogether. They want the army to take over and appoint a prime minister (again). They would never accept another Thaksinite premiership. If Pheu Thai wins outright, they may well resort to violence.

The yellow shirts have been stoking nationalist feeling with heated rhetoric about border clashes with Cambodia, adding another unstable element to an already volatile mix. Behind them lurks the powerful military establishment, another bit of the Thai body politic unlikely to welcome back a new Thaksinite government. And as if that were not complicated enough, everybody is watching the declining health of the 83-year-old king, who has been in hospital since 2009 and who had a lumbar puncture this week. It's going to be a difficult few months for South-East Asia's second-biggest economy.

Index | Asia

Education in Malaysia

A reverse brain drain

Ambitious plans to become an Asian hub for Western education



New entrance, turn right, go 10,000 miles east

ONE corner of a foreign field is becoming for ever England. It is in Johor on the southernmost tip of peninsular Malaysia, opposite Singapore. At a site called Nusajaya, workmen are finishing a new campus of Newcastle University. Nearby foundations are being dug for Southampton University. And down the road Marlborough College, one of England's most famous public (that is, private) schools, is building a Malaysian campus from scratch. If all goes well, the 900-odd pupils will hardly notice that they are looking out over palm-oil plantations rather than the Wiltshire Downs. Within a few years thousands of students will be enjoying an English education in this steamy bit of Asia.

"Educity", as the Johor complex is called, reflects Malaysia's grand strategy to become a centre for Western education. The country wants to meet strong demand among Asia's new middle classes for English-language schooling. It also worries about its brain drain (over 300,000 university-educated Malays work abroad). Having watched Asian children flock west to spend a lot of money on British and American schools, the government decided a few years ago to try to reverse the trend. It has campaigned to persuade Western schools and colleges to come and set up branch campuses. The Malaysian proposition to Asian parents is simple and beguiling: come to these famous schools and universities in our country and get the same degrees and qualifications as in Britain or America for half the price.

Australia's Monash University was the first to set up shop, followed by Britain's Nottingham University, in 2005. Other Australian universities followed Monash, and in March the Massachusetts Institute of Technology teamed up with a Malaysian body to create Asia's first Institute for Supply-Chain Innovation. Johns Hopkins University is expected to set up a medical school. The Netherlands Maritime Institute of Technology is already in Educity.

For these Western institutions, the prize is a toehold in the world's biggest education market. Many have already gone into partnership with or lent their names to schools and universities in Hong Kong, Singapore and Shanghai. But this is the first time so many have been persuaded to build replicas of themselves in another country, a more permanent and riskier proposition. They are doing so largely because the Malaysian government is bearing the start-up costs. Educity is spending about $100m on the infrastructure and buildings.

Yet other factors count as well. Malaysia is a former British colony and English is widely spoken. The country has a superficially Western feel to it-ideal for Westerners studying or teaching in Asia, and for Asians who want to acclimatise to Western culture. Meanwhile, Malaysia cleverly markets itself to the Middle East as a relatively relaxed Islamic country where young Muslims can mix together freely and, for a few years, slip the surly watch of the morality police back home.

In return for putting up a lot of money, the Malaysian government wants universities to set up faculties in subjects that will be most useful to Malaysia. The University of Southampton, for instance, will only offer degrees in engineering. But the influx of foreign colleges might have more interesting consequences, too. In order to attract foreign universities, the government has had to waive the restrictive and sometimes racist regulations that govern Malaysia's own universities. In these places, informal quota systems give preference to ethnic Malays in the faculties of sought-after subjects such as law, medicine and engineering. Students are not allowed to join political parties or protest. Now, local students are demanding to know why they should be subject to these archaic rules when the new students are not. Good question.

Index | Asia

Rhinos in Nepal

On the horn of a dilemma

Counting the cost of success



IT IS a conservation success story. The latest census of the Indian one-horned rhinoceros (*rhinoceros unicornis*) shows there are 534 of the beasts in Nepal, a rise of almost a quarter since 2008. In 1975 only 600 were left in the world.

The success is the product of hard, occasionally dangerous, work and of politics. The end of Nepal's Maoist insurgency in 2006 allowed army guard posts back into Chitwan National Park, where most of the rhinos live. A new Wildlife Crime Control Bureau is being set up. Up to half of the park's revenues are spent on development projects in the "buffer zone", where farmers live alongside rhinos and other animals.

But there is a dark side to the tale, too. To protect the endangered creatures, the chief warden at Chitwan has quasi-judicial powers, including the authority to convict and jail alleged poachers for up to 15 years. According to Krishna Bhakta Pokharel, a lawyer in the nearby town of Bharatpur, suspects are held for up to 25 days at undisclosed locations and can be remanded for up to two years before their final hearing. Until recently, the dates of such hearings were not announced in advance, nor were defence lawyers necessarily present. In Bharatpur jail 105 people are in custody for poaching, many serving long sentences for minor offences such as providing food to poachers. Even the chief jailer admits that many of his prisoners are associated with poaching only in marginal ways.

Witnesses are sometimes treated as suspects. A local farmer claimed he was held for 25 days, then bailed out for a large sum of money, after finding a dead rhino in his fields. Last year two women and a 12-year-old girl were shot dead by soldiers at Bardia National Park, which has a small rhino population. They were later declared to have been poachers, and the park authorities were accused of conspiring to intimidate their families. The rhinos need protection and seem to be getting it. But such heavy-handed law enforcement undermines support for conservation among locals and does little to curb the professional poachers who do the most damage.

Index | Asia

Robots and Japan's nuclear disaster

NukeBots

An all-too-human robot story shows TEPCO's lack of preparation



PackBot, not made in Japan

IN A foyer of the engineering department of Tohoku University in Sendai stands a handsome yellow robot with claws and caterpillar tracks. It was built at huge public expense to deal with nuclear disasters. But for all the good it is doing, it might as well be in a broom cupboard.

According to Satoshi Tadokoro, a specialist in robotics at the university, it is one of a family of robots financed by the government after a nuclear accident in 1999 killed two workers in a uranium-reprocessing facility. The robots can perform emergency work when radiation levels are too high for humans. Useful, you might think, especially now. Instead, one ended up at a children's summer camp.

Since March 11th when disaster struck the Fukushima Dai-ichi nuclear-power plant, it has become clear that most of that effort has gone to waste. Japan's much-vaunted robots may play violins and build cars, but the only ones now doing emergency work in its biggest-ever nuclear disaster are foreign, such as the PackBot, previously used in Afghanistan, which is made by Massachusetts-based iRobot.

The reasons for this oddity help explain why the nuclear accident, though caused by a tsunami, has been exacerbated by a string of public-policy failures. Despite several low-level nuclear accidents, Japan's power generators such as Tokyo Electric Power (TEPCO), owner of the Fukushima plant, have sworn blind that their safety records are exemplary and there is no danger of any meltdowns. This safety mythology has been used by utilities to bypass domestic opposition to nuclear energy and was tacitly endorsed by the government, media, and public at large.

But it meant the government failed to ensure proper disaster preparedness. And the utilities failed to build up expertise in certain areas, such as robotics. So TEPCO was allowed to spurn the rescue robots built with public money. Commercial robot makers such as Tmsuk, based in south-western Japan, say they were shut out too.

Even after March 11th, decisions on which rescue robots to use have been made haphazardly. Japanese robotic specialists say American robots were used partly because of pressure from the foreign ministry, out of gratitude for United States troop support after the tsunami.

Japanese robots, such as "Quince", built by Mr Tadokoro and the Chiba Institute of Technology, may be at least as good as American ones. Quince is being tested to see if it can operate at Fukushima. But not before the robotics industry has been left looking red-faced and unprepared-even though the real fault lies with TEPCO and the government.

Index | Asia

Corruption in the Philippines

Progress or payback?

The president forces out the chief anti-corruption official

BENIGNO AQUINO won the presidential election almost exactly a year ago, promising to clean up the deep-rooted corruption that flourished under Ferdinand and Imelda Marcos, among others. At last he has something to show for his efforts. On April 29th he forced the resignation of the ombudsman, Merceditas Gutierrez, who is the state's chief prosecutor of official corruption. Mr Aquino clearly regarded Mrs Gutierrez as the chief protector of official corruption, but only Congress has the power to dismiss an ombudsman.

So the president's congressional allies had her impeached. She was accused of failing to prosecute cases of alleged corruption within the administration of Mr Aquino's predecessor, Gloria Arroyo, who appointed her. Mrs Gutierrez denied any lapses, but resigned before the Senate could put her on trial.

It's the other lot that's corrupt

Mr Aquino campaigned under the slogan "If there's no corruption, there's no poverty," which encapsulates the country's two main problems. Until recently he had made little progress. He tried to set up a commission to investigate corruption in the Arroyo administration, but was thwarted when the justices of the Supreme Court (most of them appointed by Mrs Arroyo) ruled that it was unfair to pick on just one group of people.

Mrs Arroyo herself denies any wrongdoing while president, but many of Mr Aquino's allies in Congress would like to prosecute her. This reflects the president's approach to fighting corruption, which is to punish the sins of the past rather than try to prevent crimes in future.

Mr Aquino has proposed few reforms to the system. His administration's reasoning is that the institutions for fighting corruption already exist; they just need to be put to work properly.

Recent history gives little reason to think his approach will succeed. Mrs Arroyo had her predecessor as president, Joseph Estrada, prosecuted for corruption, and the country's special court for trying graft cases, the Sandiganbayan, sentenced him to life in prison. Mrs Arroyo subsequently pardoned him. In last year's presidential election, Mr Estrada came second.

The institutions in which Mr Aquino puts his faith have brought dozens of cases against Imelda Marcos. None has succeeded in putting her behind bars.

Index | Asia

Banyan

The insanity clause

You don't have to be crazy to run counter-terrorism in Pakistan; but it helps to appear so



UNDER your own nose is often the last place you look for something you have mislaid. But in this case the missing object was the target of perhaps the most expensive manhunt in history. It seems inconceivable that parts of the Pakistani establishment were unaware that Osama bin Laden was living in their midst. You might think it also seems unbelievable that Pakistan could be so breathtakingly duplicitous and take such a risk of antagonising America, its most important ally. In fact, you would be wrong: high-risk duplicity has long been the hallmark of Pakistani foreign policy.

You never know when the world's most-wanted man might come in handy. Some members of the Inter-Services Intelligence or ISI, Pakistan's spy agency, probably thought it a good idea to hang on to Mr bin Laden. The reasons lie in Pakistan's tortured relations with America, with Islamist extremism and with India.

"Deadly Embrace", a recent book on the America-Pakistan relationship, by Bruce Riedel, a former CIA officer who chaired a review ordered by Barack Obama of policy to Afghanistan and Pakistan, shows that Pakistan has long seen the United States as a fickle friend. Viewed from Islamabad, the relationship is a history of betrayals. In the 1950s the two countries' spooks got on famously. An American U-2 spy plane captured in the Soviet Union in 1960 had taken off from a secret airbase near Peshawar. Yet when Pakistan went to war with India in 1965, America stayed neutral. Nor, despite Pakistan's role in arranging his opening to China, was Richard Nixon much help when East Pakistan seceded to become Bangladesh in 1971-though he managed to antagonise India by sending an aircraft-carrier into the Bay of Bengal.

Close co-operation in the 1980s in arming and training *mujahideen* fighting the Soviet occupation of Afghanistan soon turned into sanctions over Pakistan's nuclear programme. So on September 11th 2001, Pakistan's then dictator, Pervez Musharraf, according to his memoirs, thought hard before succumbing to America's threats and offering help in the looming war in Afghanistan.

Pakistan's role in that war has been ambiguous. It has provided vital access. It has sacrificed hundreds of soldiers' lives fighting terrorists. It has tolerated hugely unpopular drone attacks on Taliban and al-Qaeda targets in its territory. It has let hundreds of CIA agents roam about. When one of them shot two people dead in a Lahore street in January, it even, eventually, let him go. It has also captured and handed over al-Qaeda fighters-670 of them by 2006 according to Mr Musharraf, including in 2003 Khalid Sheikh Mohammed, alleged mastermind of the 9/11 attacks.

Yet Pakistan has also done much to help the Afghan Taliban rebuild itself after crushing defeat in 2001. It is even harder now to believe Pakistan's denials that the group's leader, Mullah Omar, lives in its territory. The army has been selective in the extremists it has attacked. The Haqqani network, which reserves its firepower for targets in Afghanistan, has been immune. So, the world now knows, was the biggest terrorist prize of all.

It may even be that his protectors had sympathy for Mr bin Laden and his views. Hamid Gul, a former head of the ISI, has promoted conspiracy theories about 9/11. He also believes-less controversially in Pakistan-that "the Taliban is the future" for Afghanistan. You can choose your friends, but not your neighbours. Americans come and go, but India will be there forever, and deeply ingrained in the Pakistani security establishment are the beliefs first, that India is the real enemy, and

second, that to remain safe from it, Pakistan needs the "strategic depth" of a friendly Afghan neighbour. The Taliban, moreover, are predominantly ethnic Pushtuns, like many Pakistanis.

The strategy of using Islamist militants to topple a big power worked well in Afghanistan and was tried again against India in Kashmir. The links built up during the two insurgencies between the ISI, the army and the militants go deep. It seems highly unlikely that the Pakistani terrorists who attacked Mumbai in November 2008, for example, did so without some official connivance. The aim would be to raise tension with India, justifying Pakistan's army in concentrating its forces on its eastern frontier. Since India and Pakistan both have nuclear weapons, this may be the highest-risk strategy of all. At home, the extremists now seem out of control, threatening the very survival of a moderate Pakistan. Yet the government still seems ambivalent about them.

Denying in the *Washington Post* this week any Pakistani knowledge of Mr bin Laden's whereabouts these past ten years, Pakistan's president, Asif Ali Zardari, resorted to a familiar defence. Pakistan is "perhaps the world's greatest victim of terrorism", which has taken the lives of 30,000 Pakistani civilians. It makes no sense, he implied, to be collaborating with terrorists.

For fear of finding something worse

Mr Zardari is right: it is a policy of almost lunatic recklessness. It assumes America is too dependent on Pakistan's help to ditch it again. It assumes India will withstand almost any provocation. And it assumes the rise of extremism in Pakistan itself can still be contained. It is that final assumption that has looked shakiest this year. Two moderate politicians have been assassinated for advocating reform of the unjust blasphemy law. Few have dared condemn, and many have praised, their murderers.

If it were located anywhere else, Pakistan-which also has the world's worst record on nuclear proliferation-might be treated as a rogue state. But it is too important. The fear of its lurching into fundamentalist hands is in turn part of what restrains America and India. That would be a catastrophe for the war in Afghanistan, for India's hopes of a prosperous future in a calmer region and, most of all, for the vast majority of Pakistanis, who show little sign of hankering for harsh clerical rule.

Economist.com/blogs/banyan

Index | Middle East & Africa

Palestinian reconciliation

It might really happen

The Palestinians have a long way to go before the agreement they have just signed becomes reality. But it is worth the journey



THE deal signed by the main Palestinian factions in Cairo on May 4th, after many years of bloody infighting, marks a possible turning-point in the long-drawn-out saga known, often despairingly, as the Middle East peace process. It also marks a shift in the foreign policy of Egypt, where a new intelligence chief brokered the deal. Indeed, it was the new Egyptian government's first foreign venture since the revolution that overthrew Hosni Mubarak in February. The big question now is whether the deal will stick-and if so, whether it will eventually lead to new negotiations between a stronger and united Palestinian front and an Israeli government that has been shaken by the dramatic regional shift in power since Mr Mubarak's fall.

First reactions among Palestinians at large, both in the West Bank, the biggest bit of a future Palestinian state, and in the Gaza Strip, were deeply sceptical. As news of the agreement came out, cars in both territories were heard honking their horns. But the joyful noise was nothing to do with politics. It came from football fans who had been watching a televised match between FC Barcelona and Real Madrid.

No deal will soon end Palestine's division into two separate geographical components. Israel, which lies in between, will almost certainly continue to block passage between them. Moreover, many Palestinians have a sense of deja vu. In February 2007, to similar fanfare, the same leaders signed a unity agreement in Mecca. The secular-minded Fatah, led by Mahmoud Abbas, which now runs the West Bank, agreed back then to settle its differences with the Islamists of Hamas, which runs Gaza. Yet three months after the Mecca deal, the rival militias were locked in a ferocious civil war which left scores dead and ended with Hamas in military control of Gaza. Four years on, it will take more than a piece of paper to bury their differences.

In many respects the Cairo accord resembles its Mecca predecessor. It is rich in principles, even as it shunts several of the thorniest issues, such as the proposed integration of rival security forces, into committees. Many of its details are ambiguous, leaving much scope for bickering when it is implemented. The agreement says nothing about local elections scheduled for July 9th, which Fatah is keen to hold because it thinks it will win them, and which Hamas wants to cancel, fearing it will lose. Hamas, on the other hand, wants immediately to reconvene the Palestinian Legislative Council, the mothballed parliament, in which it has a big majority, as a result of its victory in the general election of 2006. But Ibrahim Kharishi, self-styled chief clerk of parliament and a Fatah man, says the council cannot be reconvened for months, and only then if Hamas behaves itself in the run-up. God forbid, he says, in an office refurbished with red carpets, that the Islamists might once again use their majority in parliament to "steal power".

In Gaza similar suspicions persist among the Hamas faithful. Its prime minister, Ismail Haniyeh, who usually presents himself as a cuddly moderate, infuriated his Fatah compatriots by publicly proclaiming Osama bin Laden to be a martyr, may God have mercy on him. Some suggested he had deliberately made the remark in the hope that the deal with Fatah would be scuttled, since he will lose his job. As it was, the Israelis showed their distaste-and their capacity to hamper the agreement-by failing to hand over custom duties, on which the Palestinian Authority relies for a good chunk of its budget, at the end of the month. That threatened to mess up public-sector wages.

The Cairo agreement went down a lot better abroad. Unlike the national-unity government agreed upon in Mecca, which the EU rebuffed, this one will be comprised of technocrats. No member of Hamas will be included. Fatah and Hamas may

even stick with Salam Fayyad, a former IMF man who is popular with Western donors, belongs to neither main faction, and currently runs the Palestinian Authority. To allay the fears of Europeans nervous of accusations that they are sponsoring terrorists, Hamas has also agreed to keep paying for its own public-sector appointees, such as policemen and teachers. In any case, Western governments have been learning in the past few months to do business with Islamists. And many of them are finding Israel's demand that Hamas should once again be ostracised annoyingly shrill (see article).

This time, there is a chance that the rival militias will not undermine the agreement as before. The security forces of Fatah and Hamas will each retain control of their fiefs in the West Bank and Gaza respectively. And this time Hamas's leaders in exile are keen to cosy up to the new Egyptian government, mindful that Syria's turmoil may force them out of Damascus. Hamas is also to be allowed into the Palestine Liberation Organisation (PLO), the national umbrella body, from which it had always been excluded. Pending elections for the PLO's representative body, the Palestinian National Council, the PLO will nominate a "higher committee for political affairs", chaired by Mr Abbas, with senior Hamas men at his side. That will give Hamas a right of veto over big decisions, including negotiations with Israel. If an agreement were reached, it would be much stronger for having Hamas's backing.

Mr Abbas has something to show for ceding a measure of control. Hamas has accepted him as the Palestinian president. It says he may continue to co-ordinate with Israel over security in the West Bank, and promises to let Fatah resume politics in Gaza. In turn, he has agreed to let Hamas operate in the West Bank, while counting on Israel to curb its activities there. Above all, he has regained at least nominal authority over Gaza. When he goes to the UN General Assembly in September to present his case for the recognition of a Palestinian state, he can now fend off barbs that he speaks for only half of Palestine.

Index | Middle East & Africa

Israel and Palestinian unity

Eek!

Israel's prime minister derides the unity deal, but many Israelis do not



Bibi watches his right flank

BINYAMIN NETANYAHU, Israel's prime minister, expressed nothing less than horror at the agreement signed by Palestinian factions in Cairo on May 4th. A comment by Ismail Haniyeh, the Hamas prime minister in the Gaza Strip, days before the ceremony, gave the Israeli leader just the fillip he needed. Osama bin Laden, said Mr Haniyeh, was a "holy warrior" whose death he deplored. Mr Netanyahu is out to persuade the West to oppose the Palestinians' bid for statehood at the UN General Assembly in September. So Mr Haniyeh's remark was the sort to bolster Mr Netanyahu's argument that the proposed Palestinian state should not be recognised.

It will still be an uphill battle. Most European governments have cautiously welcomed the prospect of Palestinian reconciliation after two years of paralysis in peace negotiations, for whose failure Mr Netanyahu has been widely blamed. And though the United States and the European Union (EU) classify Hamas as a terrorist organisation, its agreement with Fatah has given rise to tentative hopes that, perhaps as a result of the upheaval across the Arab world, Hamas may now come closer to Fatah's more moderate position.

Mr Haniyeh's comment, in Mr Netanyahu's view, should dash such naive hopes. "How is it possible", he demanded of Tony Blair, the envoy for the Middle East peacemaking Quartet (of America, the EU, the UN and Russia), "to achieve peace with a government half of which calls for the destruction of the state of Israel and even praises the arch-murderer, Osama bin Laden?" He made the same argument on visits to London on May 4th and to Paris the next day. Later this month he is to fly to Washington where he will doubtless make it again in speeches to Congress and to the influential American Israel Public Affairs Committee, better known as AIPAC.

His speech to Congress, at the invitation of the Republican majority, had been welcomed on the hawkish Israeli right as an opportunity for the prime minister to flex his political muscle in an American domestic context. Barack Obama is believed to have been thinking of putting forward his own package of peace proposals that might be hard for Mr Netanyahu to embrace. They were expected to echo the formula presented by Bill Clinton in 2000 and more or less reiterated by George Bush a few years after. The idea was for two states on either side of the 1967 border, with land swaps providing for the biggest Israeli settlement blocks to stay within Israel and for a political partition of Jerusalem into two capitals within one city. Mr Netanyahu has never accepted this blueprint and other partners in his coalition reject it outright. But after his success against Mr bin Laden, Mr Obama may be more disposed to chance his arm with it.

Mr Netanyahu has been quick to realise that public sparring with a much strengthened American president is no longer sensible. So he will seek to lump al-Qaeda and Hamas together in the American mind, arguing that Israel, too, faces a version of implacable Islamist fanatics, with whom no compromise is possible.

Yet Mr Netanyahu's bleak vision may not be winning as many Israeli minds as he would like. An opinion poll published just before Mr bin Laden's death asked "what should Israel do, seeing that most of the world intends to recognise a Palestinian state in September?" Some 48% said Israel should "also recognise a Palestinian state but keep the settlement blocks", whereas only 41% said it should "vehemently oppose it, even at the price of directly confronting the UN". The prime minister was urged by 53% to "present a diplomatic initiative in Washington that would include significant concessions". The same poll put Tzipi Livni's Kadima party, which argues for a more vigorous effort to re-engage the Palestinians, ahead of Mr Netanyahu's Likud. It also found that the doveish but long-moribund Labour party was showing signs of resuscitation.

Most Israelis loathe Hamas. Nevertheless, many of them acknowledge that the agreement may force Hamas to stop firing rockets across the border from Gaza, and welcome at least that aspect of it. The Israeli opposition echoes the Quartet's longstanding criteria for Hamas to be accepted in negotiations, as long as it recognises Israel, desists from violence, and accepts existing agreements signed by Israel and the Palestine Liberation Organisation, the umbrella group to which Hamas does not yet belong. Some voices inside Israel's government also favour that policy formulation rather than Mr Netanyahu's ultimatum to Mahmoud Abbas, the Fatah leader who presides over the Palestinian Authority that runs the West Bank, that he must choose between Hamas and Israel.

Mr Abbas for his part pointedly hosted a new pro-peace organisation of Israeli businessmen and public figures in Ramallah, the Palestinians' administrative capital, on April 28th, the day after the reconciliation agreement was announced. He was at pains to assure them that he, not Hamas, would still do the negotiating with Israel-if, that is, negotiations ever resume.

Index | Middle East & Africa

Trouble at the top

Competition between the president and the supreme leader is now overt



The president and the supreme leader in cosier times

Correction to this article

IN THE Byzantine corridors of Iranian power, a tussle between Iran's president, Mahmoud Ahmadinejad, and its supreme leader, Ayatollah Ali Khamenei, is becoming steadily more bitter. The latest bout began in April when Mr Ahmadinejad discovered that Heidar Moslehi, the minister of intelligence, was bugging the offices of Esfandiar Rahim Mashaei, his own chief of staff and a close ally. Mr Ahmadinejad fired Mr Moslehi. But Mr Khamenei, who dislikes Mr Mashaei, fast reinstated him.

In a huff, Mr Ahmadinejad refused to attend cabinet meetings, cancelled a visit to Qom, Iran's holiest city, and avoided public appearances for more than a week. He eventually came out of his sulk after nearly 300 MPs urged him in a letter to respect Mr Khamenei's decision and to resume his duties. Some hinted that he should be impeached.

The president is unlikely to bow out any time soon. He still has enough allies in the *majlis*, Iran's parliament, who can generally bully his opponents into line. He enjoys a fair bit of support in rural areas. Mid-ranking members of the Revolutionary Guard and the *baseej*, a bunch of thuggish volunteer militiamen, still largely back him and some high-ranking clerics in Qom are behind him. There is no constellation aligned against him yet.

But that may change. Mr Ahmadinejad has begun removing subsidies on bread, fuel and other items, reckoned to be worth $100 billion a year. People are feeling the pinch. In recent weeks factory workers have protested outside the presidential office over unpaid wages. In the south others have gone on strike.

Most crucially, the president can no longer rely on the supreme leader, who has the final say in all matters of national import. In the past Mr Ahmadinejad has trodden warily when it comes to Mr Khamenei. Both are conservatives. They have seldom differed on issues such as Iran's nuclear programme or its regional policies. Theirs is a battle for internal power, in both economic and political fields.

Keep it in the family

Mr Ahmadinejad is looking towards a general election set for March next year which will lay the ground for the presidential one in 2013, when he will step down. He is thought to be keen for Mr Mashaei, whose daughter is said to be

married to the president's son, to succeed him. But the chief of staff has angered many conservatives with his liberal tendencies (he even referred to Israelis in friendly terms) and by championing Iran's nationalist heritage rather than its Islamic one.

The supreme leader is supposed to stay aloof from the cut and thrust of mundane politics. On a visit to southern Iran last month he praised the government and stressed that he intervened only when he felt that "expediency is ignored". But each time Mr Ahmadinejad forces him to interfere in low politics, Mr Khamenei's position looks a little shakier. The supreme guide is no longer infinitely above Mr Ahmadinejad; he is part of the competition.

Correction: The photo that accompanied the original version of this article showed Mahmoud Ahmadinejad with Mahmoud Hashemi Shahroudi. This was corrected on May 6th 2011.

Index | Middle East & Africa

Turmoil in Syria

Flee or hide

As the turmoil persists, more Syrians are leaving or hiding

AS PROTESTS continue for a seventh week and the government acts ever more harshly in its efforts to suppress them, two new features of the upheaval have emerged. First, the number of Syrians crossing the country's various borders has sharply increased as people flee on foot into Turkey, Jordan and Lebanon, and many of the 1m-odd refugees from Iraq ponder whether to go home. Second, hundreds if not thousands of intellectuals and would-be dissidents have gone into hiding for fear of arrest. Many are banned from leaving the country. The security forces are reckoned to have rounded up some 7,000 people since March 18th. Many of those since released tell of torture. Residents in several places report tanks rumbling down their streets.

Since April 29th at least 116 people have been killed, according to human-rights campaigners, bringing the overall death toll to more than 600, almost all of them unarmed civilians. The southern town of Deraa, where the protests began, remains under siege, with telephone communications and transport cut off. The army has moved in force into several other restive cities, such as Banias. Protests are continuing in and around Homs, among other places. Tight security in the capital, Damascus, and in Syria's second city, Aleppo, has so far kept the lid on protests there. But there are reports of growing anger in those cities too.

President Bashar Assad not only struggles to contain unrest at home, but he may also be losing support in the region. Relations with Turkey, probably his key ally, have cooled. On May 1st Recep Tayyip Erdogan, the Turkish prime minister, made a scathing reference to the massacre of Islamists by Mr Assad's father, Hafez, in Hama in 1982, urging the son not to repeat such a mistake. Rumours of an impending decision by Hamas, the Palestinian Islamist movement long headquartered in Damascus, to move to Qatar have been strenuously denied but are widely believed. Syria will feel even more isolated and embarrassed if its sole solid ally is Iran.

Index | Middle East & Africa

Iraq's clergyman

Muqtada al-Sadr, back in business

The country's most populist Shia cleric still wields a lot of clout



The golden boy is back

EVERY year, on the anniversary of the fall of Baghdad in 2003, the streets of Iraq fill with people baying for American troops to go. This year, the most virulent demands came from the Shia cleric, Muqtada al-Sadr, who said he would revive his Mahdi Army militias if American troops stayed on after the agreed deadline for their withdrawal at the end of this year. His militias killed thousands of Iraqis and Western soldiers in 2006 and 2007, the bloodiest years of the American occupation, so the prospect of their resurgence frightens Iraqis (especially Sunnis) and Westerners alike. Most of the militiamen are still armed and zealous but ill-trained; today's spruced-up Iraqi security forces could probably crush them. Still, whatever their military deficiencies, the Sadrists have grown into Iraq's most visible and disciplined social, political and religious movement. They have regained much of their power.

Part of a revered dynasty of Shia religious leaders who fought against Saddam Hussein, Mr Sadr has a cachet among Iraq's millions of poor Shias, especially in the slums of eastern Baghdad. Since he decided in 2009 to focus on politics as violence ebbed, his Ahrar party has been well groomed in the political arts. After Nuri al-Maliki, the prime minister, sent in regular Iraqi forces to crush the Mahdi Army in the southern city of Basra in 2008, Mr Sadr repaired to the safety of Iran. But he retained his influence from afar. Indeed, Mr Maliki would not have kept his post as prime minister after last year's inconclusive election without Mr Sadr's endorsement. When Mr Sadr was displeased by Mr Maliki, he teamed up with Iraq's leading secular politician, Iyad Allawi, whom many Sunnis support, to criticise the government.

In any case, it is social and religious issues that most preoccupy Mr Sadr. A new movement in his thrall, called the *Munasirun* ("supporters"), has recently paraded itself in Baghdad and Basra. It claims already to have thousands of members, including some who are not Shias and others-it says-who are not even Muslim. It plans to open offices across the country, focusing on religious education and charity. Mr Sadr has told all his politicians to spend a day sweeping the streets to stay in touch with the poor. Sadrist charity is extensive and well-publicised. The group is fond of arranging opinion polls. Some results are unsurprising; for instance, Iraqis want better public services. But as a public-relations exercise the polls make the movement look democratic and efficient.

Mr Sadr has also sought to distance himself from the Mahdi Army's reputation for violence. Former militiamen showing promise as future leaders undergo a programme of religious study. Last month Mr Sadr declared: "I rejected [the militias'] brutal and sectarian acts and they are not linked to the [violent] resistance in any way." That seems to contradict his threats to reinstate them. Mr Sadr is walking a fine line between keeping up his fiercely anti-Western stance and becoming an influential political and religious leader who does not rely on his old militias. But he still boasts of his small, highly trained "Promised Day" brigades, who are said to be ready to hit the Americans at any moment.

For their part, the Americans are still nervous about Mr Sadr's increasing cosiness with Iran. His Mahdi Army used to flaunt nationalist credentials in an effort not to be viewed as being in Iran's pocket. But during Mr Sadr's time in Iran, where he has been studying in the holy city of Qom, he renewed his friendship with the mullahs. The deal he struck last year to keep Mr Maliki in power may have been brokered by them. And Mr Sadr, like the Iranian authorities, has vociferously backed Bahrain's Shia opposition. On the other hand, Sadrists in Baghdad said that they backed the Green Movement in Iran, which rebelled against the regime there in 2009.

Mr Sadr was once derided as "Ayatollah Atari", a nickname denoting his love of computer games. He was also widely regarded as a thug, albeit one who performed astutely in the violent game of Iraqi politics. But he has still not revealed his latest goals and allegiances. After two years in exile, Mr Sadr has made only two high-profile appearances in Iraq to address his followers. A spokesman said he was testing to see whether Mr Maliki or the Americans would arrest him. But Mr Sadr has recently spent more time in Iraq, mainly in the Shia's holy city of Najaf. As the Americans draw down their numbers, his supporters may see a lot more of him.

Index | Middle East & Africa

Libya's black refugees

Caught in the middle

The plight of black Africans trying to flee from Libya is dire-and worsening

COLD by night and blisteringly hot under the midday sun, the border crossing between Libya and Egypt at Salloum has become a bleak stopping point for Western journalists seeking a way to eastern Libya's rebel stronghold of Benghazi, six hours' drive to the west. But for refugees going the other way, Salloum is another even gloomier barrier on a long and often deadly flight from war.

These migrants, almost all of them black Africans who found refuge from such places as Chad, Eritrea and Sudan's ravaged Darfur region in Colonel Muammar Qaddafi's Libya, say they are targets of rebels in the east, where they have all too often been mistaken for mercenaries in the pay of the colonel.

Their journey to Libya's border is perilous. Many say they have witnessed massacres of other black Africans. Even the wounded are not welcome. Ahmed Muhammad Zakaria, a 20-year-old Chadian living in Benghazi, was shot in the leg by rebels, but says people in the local hospital, rather than treat him, told him to go to Egypt. A ten-year-old boy infected with HIV from a blood transfusion in Libya was told that he and his family were no longer welcome in the rebel-held east. "Burn them all," said one Benghazi native of the blacks fleeing Libya.

When the refugees reach Salloum, their plight is grim. Many of the 400 or so Darfuris there now have been living in makeshift tents. Egyptian police recently removed them from the view of media convoys passing through. They have been sleeping, dozens to a room, in a building on the edge of the compound. Water is scarce.

The International Organization of Migration, which helps tend victims of gunshot and other wounds, says tuberculosis is spreading. A nearby mosque is bringing some relief. The UN High Commissioner for Refugees (UNHCR) provides food. But conditions may worsen. The misery in Misrata is pushing thousands more refugees in the direction of Benghazi. From there to Salloum, each of the 15 checkpoints manned by rebels with AK47s presents a real danger.

The UNHCR says it is flying many Eritreans and Chadians home. But the plight of the Darfuris is worse. A delegation from Sudan's embassy in Egypt is in Salloum, seeking to repatriate them: an "awkward situation", admits the UNHCR. The embassy has already driven more than 11,600 of them to Wadi Halfa, in northern Sudan, "free of charge", says a representative.

But Dr Kamal Ali Ahmed, an elder among the Darfuris at Salloum, says that the Sudanese delegation includes a warlord responsible for several massacres in Darfur. "They want to take us back," he says. "We will fight. Let them kill some of us."

We are willing to die. We are victims of African-Arab conflict," says Dr Ahmed. "We just want to leave the Arab world peacefully."

Index | Middle East & Africa

Unrest in Uganda

The eyes have it

Government goons almost blind the opposition leader during protests

IT HAD seemed like plain sailing for President Yoweri Museveni of Uganda. In February he convincingly won re-election 25 years after winning power in a civil war. He defeated the leading opposition figure, Kizza Besigye, his one-time doctor and chief adviser. Credible complaints that votes were bought in the countryside barely managed to taint his victory. But then came a steep rise in food and fuel prices and people at large became restive.

Mr Besigye, a former colonel, seized his chance. Together with other opposition figures he organised peaceful protests, asking Ugandans to forego motorised transport and walk to work. Thousands have thronged the roads in recent weeks. Mr Museveni's security men panicked. They had Mr Besigye roughed up and arrested, then freed him. Later he was shot in the hand. During a subsequent protest, police attacked him with tear gas and dragged him from his car in full view of television cameras. His eyesight damaged in the incident, he flew for treatment to Nairobi, capital of neighbouring Kenya, where he vowed to fight on. His supporters responded with riots in Uganda's capital, Kampala, and beyond. Hundreds were injured and several shot dead.

Mr Museveni is worried lest malcontents foment a Tunisia-style uprising. Corrupt army officers are also afraid that they might miss out on an expected oil bonanza. Uganda has an estimated 3 billion barrels of soon-to-be-tapped reserves.

But regime change is not yet in the offing. Even a blind Mr Besigye is no likely election winner. Mr Museveni still has the support of those who count most: soldiers and farmers. The protesters are numerous but badly organised. Many are driven by dissatisfaction with inflation and joblessness rather than hatred of Mr Museveni.

Yet the opposition seems loth to back down. And the police may well mishandle future protests. The country may be distracted from its urgent task of revamping its tatty infrastructure and helping the private sector to create jobs. It is hard to see harmony returning before the next election, due in 2016.

Index | Middle East & Africa

Nigeria's business capital

A rare good man

The governor of Lagos does his job well



A poster boy for the poor

WHEN Babatunde Fashola goes to the theatre in Lagos, his entrance usually sparks more applause than the cast's final bow. He has been something of a hero in Nigeria's business capital since becoming its governor in 2007. Last month he was reelected with 81% of the vote, having attempted to tame the unruly metropolis.

Lagos, which vies with Cairo for the title of Africa's most populous city, exhausts even Nigerians, famed for their energy and entrepreneurial zeal. To ease their lives, Mr Fashola has cleared ad hoc markets that used to block streets and cause endless gridlock, limiting some businessmen to one meeting a day. Bus routes have been set up and kamikaze motorcycle-taxi riders forced to wear helmets. The governor has employed local toughs, known as "area boys", as street sweepers and traffic cops. Lagosians say their coastal city seems safer, with fewer armed robbers zipping along in boats across its lagoons.

Of course Mr Fashola is simply doing his job. But that is quite rare among Nigerian governors, many of whom are bent on lining their pockets. "There has long been a disconnect between the people and their government," says Mr Fashola, sporting a floppy blue hat popular among his fellow Yoruba. He stresses a rise in the tax take, which now accounts for 65% of the city-state's revenues. If Lagos were a country, its GDP of $43 billion would make it the fifth-biggest economy in sub-Saharan Africa.

The governor can be hasty. He has banned *okadas*, frisky motorcycle-taxis, from major roads even though public transport remains limited. Some street traders were shooed away before markets to house them were ready. But Mr Fashola insists that restoring order ultimately benefits everyone. "The general consensus here is that the discomfort and the pain are well worth it." Some worry that Bola Tinubu, Mr Fashola's predecessor, a notorious political operator, still holds a lot of sway.

Starting his second four-year term, Mr Fashola hopes to complete promised commuter-rail lines and expressways and to launch an affordable-housing project. A term-limit rule prevents him from running again in the next round of elections, in 2015. Many Lagosians hope he will run for president instead. Smiling, he dismisses the idea as premature.

He certainly has enough work as it is. The UN predicts that Lagos, which may already contain 15m people, will grow by 2.7% a year until 2025, double the rate of Cairo. Only a tenth of the city has proper sewerage. *Okada* riders still ignore many rules. Traffic cops climb into people's cars, demanding pay-offs. The beast has not yet been tamed.

Index | Europe

Le Pen, mightier than the sword?

Marine Le Pen has ambitions for her party that stretch way beyond next year's presidential election



UP CLOSE, the most unnerving thing about Marine Le Pen is not her obsession with Islam, her populism or her divisive politics-but the way she oozes charm. With a ready laugh and unaffected manner, this steely politician deflects awkward questions with an easy grace that makes her a rarity in French politics. The newish leader of the far-right National Front is an intriguing study in how to make extremist politics marketable-and in doing so, perhaps to reshape French party politics.

In the short run, Ms Le Pen wants to decontaminate the National Front, stripping it of the skin-headed image it had under her father, Jean-Marie. At the party's annual May 1st rally, she surrounded herself with fresh-faced young women in jeans and T-shirts. Her father, a former paratrooper, perfected a line in anti-Semitic and xenophobic outrage. She shares much of his programme, such as support for the death penalty and job preference for French nationals. But she has junked the anti-Semitism and neo-Nazi sidekicks in favour of a subtler tone. "When I talk about the immigration problem, I don't talk out of hate, or xenophobia, or Islamophobia, or fear," she insists, but pragmatism. "We cannot afford to let everybody in."

By turns funny and caustic, with a fine sense of oratory, Ms Le Pen's skill is to defend her ideas with principles that all voters share. She is "not against Islam", she claims, but against the "Islamification" of society that breaches France's principle of *laicite* (secularism). "I don't believe that Islam is incompatible with Western values," she says. "But *sharia* law is, and that's what fundamentalists want to impose in France." All of this is done with an unspoken appeal to common sense. Look at me, she seems to say, an ordinary divorced mother trying to bring up my kids at a tough time, how could you disagree?

Ms Le Pen is shaking the French establishment. Repeated polls suggest that she may well repeat her father's feat in 2002 by securing a place in the run-off at next year's presidential election. If she does, she will not win, but she could take almost a third of the votes. In any case, she will cause trouble by robbing support from both left and right, creating huge uncertainty ahead of 2012. In the long run, she has set her sights even higher: she wants to overturn party alignments and transform the National Front from a party of protest into a future party of government.

Across Europe, traditional divisions between left and right have blurred, Ms Le Pen argues, giving way to a new fracture between those who believe in globalisation, international governance and open borders, and those who believe in the primacy of the nation. In her eyes President Nicolas Sarkozy and Dominique Strauss-Kahn, head of the IMF and a likely Socialist candidate, are "interchangeable": standard-bearers for a globalised world view. By contrast, she wants a return to national sovereignty, a withdrawal from the euro ("before it collapses") and NATO ("submission to America"), the return of border controls and an unapologetic protectionist policy to "re-industrialise France".

If Mr Sarkozy loses in 2012, Ms Le Pen hopes for an "implosion" of his party, and a "recomposition" of politics. The aim is to shed the far-right label and turn the National Front into a majority party with support across the spectrum. It would draw not only on anti-immigrant feeling but on latent French Euroscepticism and disillusion with the elite. This might be dismissed as fanciful dreaming by an untried leader. Yet polls show that she has become the most popular choice for working-class voters and is winning support among the young and middle-class, not ashamed to support her as they were her father.

Even some opponents acknowledge her skills. "We can see clearly where she is going," says Manuel Valls, a Socialist on his party's modernising wing. "She wants to create a new party on the right, and we on the left might find that harder to deal with." Nonna Mayer, at Sciences-Po university, says "she is here to stay. She has already managed to make the party appear more respectable. The question is whether she can now make it credible."

For under scrutiny, many of Ms Le Pen's ideas, when not toxic, are deeply flawed. France cannot compete with China on cost, she says, so better to put up borders, go for a competitive devaluation and start building factories at home again. She dismisses worries about the colossal cost of protectionism or of debt-servicing with a devalued currency as scaremongering. For now, such details have yet to spoil the seductive simplicity of her message. And this will keep her a highly disruptive figure in the run-up to 2012 and beyond.

Index | Europe

The Turkish economy

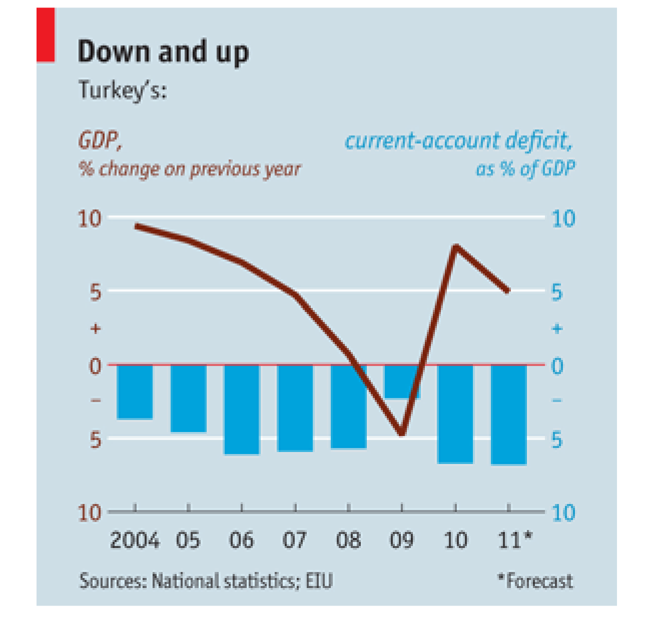
Overheating

The economy is not a big election issue, but it badly needs cooling down

TURKEY'S ruling Justice and Development (AK) party is expected to win a third term of single-party rule at next month's election, even though some voters fret about its autocratic ways. One reason for AK's popularity is its management of the economy. After almost a decade of economic success, many Turks are loth to entrust the economy to an opposition that is tainted by a legacy of past crises.

The figures are impressive. After a sharp contraction in 2009, the economy recorded the third-fastest rate of growth in the G20 last year. Not a single Turkish bank failed in the financial crisis. And inflation has been held down, partly thanks to a strong lira. "For the first time in my life, inflation is the same as in Britain," boasts Erdem Basci, Turkey's new central-bank governor. Yet he acknowledges that, though "the [Turkish] ship is steady, the seas are choppy, a storm might erupt at any time."

Such worries are widely shared. Ahmet Akarli, an economist at Goldman Sachs in London, has long been bullish about Turkey's economy, but he says that this year "the cyclical picture is looking ugly, imbalances are accumulating and financial vulnerabilities are growing." He points to the decision to keep fiscal and monetary stimulus going for too long. He reckons that nominal wage growth has hit 18% a year, domestic demand is rising by as much as 25% and credit growth is some 30-40%. Such numbers look unsustainable.



The twin concerns are inflation and the current-account deficit. Goldman Sachs reckons inflation could be 7.5% by the end of the year. Murat Ulgen, chief economist at HSBC in Istanbul, says the current-account deficit is expected to be 8% of GDP in the 12 months to March. After the election, the pressure on the government to tighten fiscal policy, and on the central bank to raise interest rates, will rise.

Yet it may not prove so easy to cool down such a hot economy. The central bank last year cut interest rates and raised reserve requirements for foreign and local banks in an unorthodox attempt to deter rising capital inflows. This did not seem to work, and the bank is now starting to raise interest rates instead. Yet money continues to pour into Turkey, making monetary conditions excessively loose. Raising reserve requirements even further might not have enough of an impact to slow consumer lending. And if interest rates start to rise in the rich world, especially in America, Turkey could suddenly see its external finance dry up.

In truth, the current-account deficit reveals deeper economic flaws. The public finances may be solid (public debt is around 40% of GDP), but the government has been slow to make reforms such as trimming a high minimum wage, reducing the size of the unregistered economy and increasing competition to reduce energy and other costs. The employment rate, only 44% of the workforce, is the lowest in the OECD rich-country club. Turkey is the worst in the OECD for excessive product-market regulation. Such failings are more glaring in a country with a fast-growing population that needs annual growth of 5% just to keep unemployment steady.

Next month's election is not the only source of political uncertainty. The Arab spring is putting some important markets for Turkey's giant construction companies at risk. Some $14 billion of contracts in Libya are frozen, and deals in Syria are being postponed. For the sake of its vulnerable economy as much as for broader political reasons, the next government must do more to repair frayed relations with the European Union, still by far Turkey's biggest export market.

Index | Europe

Portugal's bail-out

Socrates's poison

A deal is agreed, but will it work?

PORTUGUESE voters listening to Jose Socrates, the caretaker prime minister, announcing a euro78 billion ($116 billion) bail-out deal from the European Union and the IMF this week may have thought it was a campaign broadcast for the June 5th election. He boasted that the three-year programme was more lenient than those for Greece and Ireland, and then listed what the package did not contain: no change to the minimum retirement age or minimum wage, no public-sector pay or pension cuts, no dismissals of state workers. Deficit-reduction targets were relaxed because of slower growth.

As *The Economist* went to press, voters were about to learn from the EU and the IMF the full details of the austerity measures that they face for the next three years. They will have to wait until a May 16th-17th meeting of EU finance ministers (at which the Finns, still trying to form a government, may yet make difficulties) to learn what interest rate the country will have to pay. But they already know that the economy is expected to contract by 2% in 2011, producing a second recession in three years. Unemployment is expected to climb close to 13%, one of the highest levels ever seen in Portugal.

Mr Socrates says the EU and IMF have recognised that the debt crisis in Portugal is not so bad by allowing more time for deficit reduction than before. The bail-out commits Portugal to cutting the deficit to 3% of GDP by 2013, a year later than previously planned. Some economists think that the deficit-reduction effort will nevertheless be greater, because of upward revisions to the 2010 deficit estimate. "This may sound like a significant easing of policy, but it really just reflects the fact that the budget deficit for 2010 has twice been revised upwards," notes Anders Matzen, from Nordea Bank. Yet others still think the conditions are less tough than they might have been.

The government originally announced a deficit of under 7% for 2010, but this has been revised to 9.1%. The target for this year has been relaxed from 4.6% to 5.9%. But Gilles Moec, an economist with Deutsche Bank, says that, despite this, the deficit-reduction effort this year will be half a point bigger than under previous plans. He also notes that Greece and Ireland were given until 2014 to cut their budget deficits to 3%, a year longer than Portugal.

Pedro Passos Coelho, leader of the centre-right Social Democrats, the main opposition party, called the bail-out a "vital, if depressing, step". But he also wrote that "it is only a short-term measure that buys some time." Mr Passos Coelho, whose party is still tipped by most opinion polls to win the election in June, making him the next prime minister, believes the only long-term solution to the debt crisis is to raise economic growth. That is easy to say in opposition, harder to accomplish in power.

Index | Europe

Energy in north-east Europe

Cable ties

Awkward tussles over nuclear power on Russia's borders



COMMUNISM, Lenin said, was "Soviet power plus the electrification of the whole country". His country is long gone, but rows over electricity still echo in its former territories. Lithuania is furious about two Russian-financed nuclear-power plants on its borders, one under construction in Kaliningrad, the other due to be approved soon in Belarus (see map).

The foremost worry, on the 25th anniversary of the Chernobyl disaster, is safety. The Lithuanians insist that the planned plants do not meet international standards and that consultation has been slipshod. "We didn't get proper answers or a proper discussion," complains the prime minister, Andrius Kubilius. The site of the plant in Belarus, 40km (25 miles) upriver from Vilnius, is a particular concern.

Russia pooh-poohs all this. It worries that Kaliningrad may be left an energy island as Lithuania and its Baltic neighbours integrate their power grids with the rest of Europe's. It wants to make money from its nuclear know-how. The Belarus plan also gives Russia a bargaining tool with the cash-strapped regime in Minsk.

Competition from the two Russian-built plants undermines the case for a planned new nuclear-power plant at Visaginas. Lithuania had to shut its Soviet-era plant there as a condition of joining the European Union. The four-country replacement project has strong Latvian support, but Poland is lukewarm and Estonia is considering a small nuclear-power plant of its own if the joint one falls through.

Plagued by scandals and investors' jitters, the Visaginas project is again moving ahead: since Japan's nuclear accident, firms wanting to build nuclear-power plants have become less choosy about the conditions. Mr Kubilius says he hopes to find a strategic investor "within months". But sceptics note that rich, single-minded Finland is over budget and behind schedule with its new nuclear-power plant. The idea that four poorer countries with scant record of co-operation, even on simple things, can finance and build something so costly and complex seems a stretch. "We are more motivated because our needs are more severe," a Lithuanian official retorts.

Political power matters almost as much as the nuclear kind. Lithuania scents Russian interference whenever it tries to bolster its energy independence. It wants to build a liquefied natural gas terminal by 2014 to break its dependence on pricey Russian gas. The government is also fighting to liberalise the gas market, in line with EU rules that came into force on March 3rd, but against fierce opposition from Russia's gas giant, Gazprom, and its local proxies.

At least Mr Kubilius has an ally in Brussels. He has asked the European Commission to investigate Gazprom for anti-competitive behaviour. The commission's president, Jose Manuel Barroso, clashed heatedly with Vladimir Putin over gas liberalisation during the Russian prime minister's visit to Brussels in February. Lithuania is a "test case," says Mr Kubilius. But if Russia is ready to finance new nuclear-power plants and sell cheap electricity, European consumers will be keen to buy, heedless of political worries.

Index | Europe

Italian politics

Coalition troubles

Tensions rise both inside the ruling party and with its coalition partner

A NEW month, a new heir apparent. On May 4th Silvio Berlusconi, Italy's prime minister, told a television interviewer that, were he to step down, Giulio Tremonti, his finance minister, would be a "possible candidate" to take over: the best, in fact, among the names on offer. Less than a month ago, Mr Berlusconi, who has never worried much about consistency, picked Angelino Alfano, his justice minister, as successor. The latest announcement appears to be an attempt to halt speculation over a growing rift between him and the parsimonious Mr Tremonti.

Suspicions were aroused when *Il Giornale*, a daily owned by Mr Berlusconi's brother, published an interview with Giancarlo Galan, the culture minister, in which he called Mr Tremonti a closet socialist who could lose the right the next election. In-fighting between ministers is not uncommon in Italy. But attacks on Mr Tremonti worry markets. Thanks to his fiscal rigour, Italy has not so far gone the way of the euro-zone periphery despite its huge public debt (soon to hit 120 of GDP).

The lugubrious Mr Tremonti and his flamboyant prime minister were never a natural match. But the grounds for dispute have multiplied. Mr Tremonti has been reluctant to defend the prime minister against the charges levelled by Milan

prosecutors (this week, Mr Berlusconi made his latest court appearance at a pre-trial hearing in a fraud case involving the trading of film rights). The prime minister is also increasingly exasperated by the fiscal straitjacket into which he has been strapped by Mr Tremonti's austerity. His frustration is especially acute at election time: on May 15th-16th his People of Freedom (PdL) party faces local elections that will decide, among other things, who will run Milan and Naples, Italy's second- and third-biggest cities respectively. If the right does well, the friction between the two men should disperse like pollen in spring.

However, their relationship is strained also by pressure from a minority within the PdL for a change in policy, with the aim of revitalising Italy's moribund economy. Mr Galan said in his interview that he wanted a return to the spirit of 1994 when he and others had "gone into politics in the name of liberal ideas", but added that any economic reorientation was impossible so long as Mr Tremonti's goal was just to impose equal, across-the-board cuts.

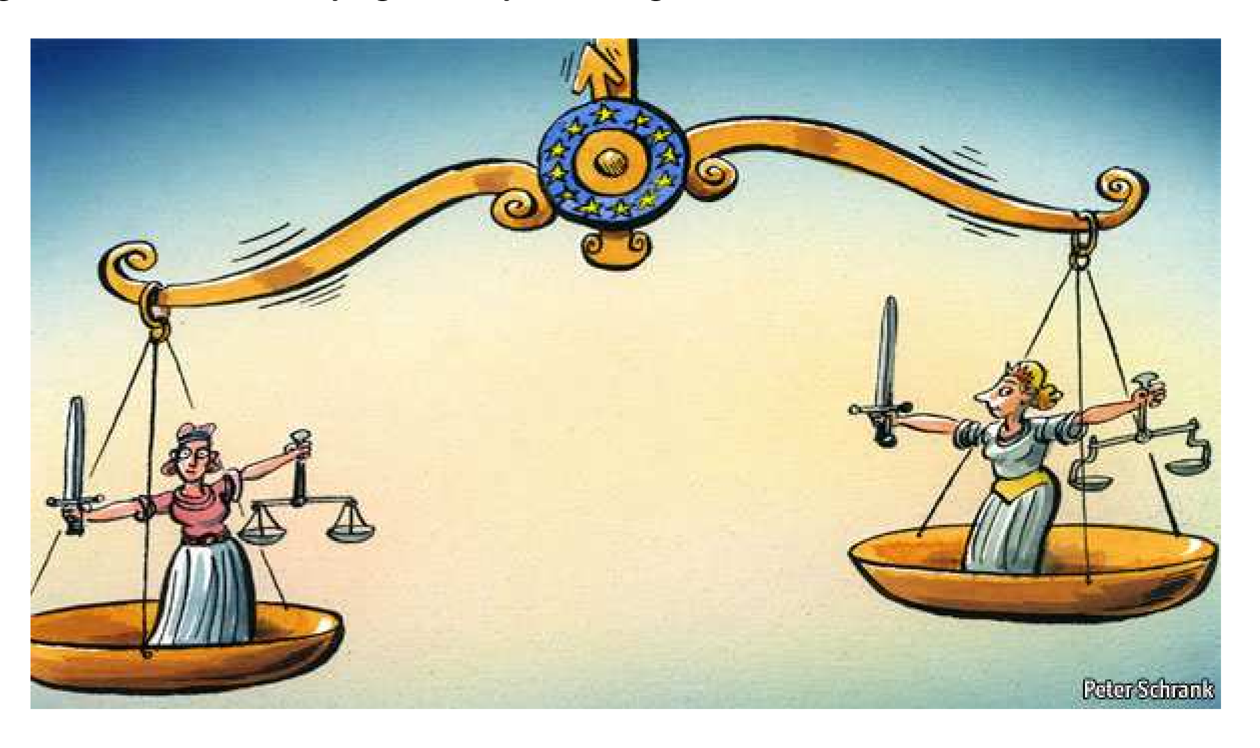
Then there is the finance minister's closeness to the PdL's coalition partner, the Northern League. For years, he has acted as a useful liaison. But the relationship between the two parties has become increasingly thorny, and his position trickier. Many grassroots League supporters are disturbed by revelations about Mr Berlusconi's private life being aired in the "Rubygate" trial that began on April 6th. The League's leader, Umberto Bossi, has been resolutely loyal, aware that only the government's survival can protect its programme of fiscal decentralisation, the League's main goal.

On April 25th, in a characteristically spontaneous move, the prime minister announced that, after a telephone conversation with America's Barack Obama, he had reversed course and agreed to join the air offensive in Libya. This is anathema to the League, which fears that bombing will merely increase immigration to Italy and may force the government to raise extra taxes. Worse, Mr Bossi was not even consulted. On May 4th, after a frosty stand-off, the PdL joined the League in pushing through the lower-house Chamber of Deputies a motion to limit Italy's involvement. But the affair has left an air of mistrust over their partnership that may be harder to disperse than spring pollen.

Charlemagne

Supreme muddle

Europe's highest courts can be annoying, but they do more good than harm



NO WONDER Europeans find their institutions so bewildering. What is the difference between the European Council and the Council of Europe? It is not just syntax. The first is the European Union's top decision-making body, made up of the

27 national leaders. The second is the grandfather of European clubs, which has 47 members (among them Russia and Turkey) and plods along in Strasbourg. Even more confusing, the EU and the Council of Europe share the same blue flag with a circle of 12 stars and the "Ode to Joy" as their anthem. And both have similar-sounding courts. The European Court of Justice (ECJ) sits in Luxembourg and ensures compliance with EU law. The European Court of Human Rights (ECHR), under the Council of Europe, is guardian of the 1950 European Convention on Human Rights.

Both courts annoy most national politicians some of the time and infuriate some most of the time. Take Italy. The ECJ irritated it recently by ruling against its policy of jailing illegal migrants who do not obey expulsion orders. The ECHR, meanwhile, belatedly reversed its decision to ban crucifixes in Italian schools. Or consider Britain. The ECJ recently decided that insurance companies were not allowed to charge women drivers (less of an accident risk) a lower premium than all those impetuous men. The ECHR, for its part, caused apoplexy in London by ruling that Britain could not deny all convicted prisoners the right to vote.

To critics this is judicial activism gone mad, overturning the will of elected parliaments; European judges (not much distinction is made between the two courts) serving in the vanguard of the march towards federalism. Time to reverse course, they say. But how? Many would like to halt or turn back part of the European project. Italy's interior minister, Roberto Maroni, recently suggested abandoning the EU altogether. "Better alone than in bad company," he declared after a row over Tunisian boat-people. Yet leaving the EU after decades of economic and political intertwining is easier said than done (and became explicitly possible only under the 2009 Lisbon treaty).

Pulling out of the EU might mean falling back on the Council of Europe. That is, after all, the home of other non-EU European democracies such as Iceland, Norway and Switzerland. The council is the sort of body that even Eurosceptics ought to like: it is inter-governmental rather than *communautaire*, so that each member wields a veto, and its parliamentary assembly is made up of national MPs who mostly exercise only moral persuasion. In contrast, the ever more powerful European Parliament is directly elected, voting on budgets and most EU laws. Yet the council is still a poor alternative to the EU. A country that wants to trade freely with the rest of Europe has to comply with its market rules. And even if it escapes the court in Luxembourg, it is bound by the one in Strasbourg (with judges from such dodgy places as Ukraine and Azerbaijan).

Others, especially some British Tories, want an alternative rupture: to withdraw from the ECHR, with domestic courts becoming supreme arbiters. If that means leaving the Council of Europe, so what? The trouble is that it also raises questions about EU membership. Accession to the human-rights convention is compulsory for EU applicants, though it is fuzzier for existing EU members. The Lisbon treaty gives legal effect to the charter of fundamental rights, which incorporates ECHR case-law (though some EU members have a partial opt-out). The EU is taking on more trappings of statehood-it has just won the right to speak in its own name at the United Nations-and is preparing to sign up to the human-rights convention, with rights akin to those for full members of the Council of Europe. The EU's actions, say in freezing foreigners' assets, may become subject to external legal scrutiny, with the ECHR acting as the EU's "supreme court".

To Eurosceptic purists, there is only one safe answer: to leave boththe EU and the Council of Europe. But that would imply a degree of isolation that surely few voters would enjoy. Jean-Paul Costa, president of the ECHR, notes that the only country ever to withdraw from the convention was Greece under its junta. Today only Belarus stays clear of the Council of Europe.

Fight from within

A more pragmatic option is to stay in and push for reform. That may be frustrating but is not hopeless. The EU is discovering limits to integration. Under pressure from France, Italy and others, the European Commission has proposed allowing members of the Schengen passport-free area temporarily to impose border controls if neighbours are flooded with migrants. Even those who are less dreamy about European unification have a vital interest in the EU's single market. Making it more open-even just preserving it-requires a dose of supranational power.

The ECHR, too, needs reform, Ministers meet this week to discuss how to clear a backlog of 140,000 (mostly frivolous) cases, improve the quality of some of its judges and restrain them from straying too far into domestic matters. Yet all countries gain from a democratic Europe, one pillar of which is the human-rights convention. Even democratic governments benefit from a degree of judicial restraint. And the ECHR operates in some dark areas that others cannot reach. Russia is often forced to pay compensation to victims of abuse in, say, Chechnya. The court has helped to improve the state of Turkey's prisons.

Judicial nonsense should be restrained wherever possible but may be a price worth paying for the protection of Europe's prosperity and freedom. And for those who resent the intrusion of supranational courts, but do not want to break up the institutions, there is hope. When the EU accedes to the human-rights convention, it is possible that judges in Strasbourg will restrain Eurocrats in Brussels and the court in Luxembourg, too.

Economist.com/blogs/charlemagne

Environmental politics and policy

A lighter shade of green

The government, unlike voters, remains keen on environmentalism. But it knows not to shout about it



BRITISH environmentalists were in their political pomp in the middle of the past decade. Prosperity allowed voters to worry about an issue they used to regard as esoteric: Ipsos MORI polls found 19% of the public citing pollution as a serious issue facing the country in early 2007. Then in opposition, David Cameron, the Conservative leader, sought to capture the *Zeitgeist*, and fix his party's "uncaring" image, by visiting melting glaciers and changing the Tory logo from a torch to a tree.

The subsequent recession left environmentalism looking like an unaffordable luxury. Since 2008 the share of voters who think it a big issue has fallen to around 4%. Politicians who once competed to out-green each other now stick to bread-and-butter subjects such as the economy and public services, for fear of seeming out-of-touch. "Vote Blue, Go Green" was the Conservative slogan for the 2006 local elections; Mr Cameron has not revived the theme for this year's polling, which was taking place as we went to press.

But whereas the political salience of greenery has wilted, the government's environmental policies are holding up. Although this year's budget disappointed greens by cutting petrol duties, it also included the creation of a green investment bank to finance carbon-free energy projects. The coalition government has also cancelled plans it inherited to expand Heathrow airport in London, braving the ire of big business. It wants to reduce short-haul flights by building more high-speed railways. It is also striving to cut carbon-dioxide emissions across the public sector.

The government's commitment to greenery is set to face a further test. A law passed by its Labour predecessor obliges it, by the end of June, to set a limit on Britain's total emissions of carbon dioxide in the period 2023-27 (limits until then have

already been set). Environmentalists want ministers to accept the limit recommended by the Committee on Climate Change, an independent advisory body, but fear the government will choose a laxer one.

The Conservative-Liberal Democrat coalition is certainly more environmentally conscious than a purely Tory government would have been. George Osborne, the Conservative chancellor of the exchequer and author of the fuel-tax cut, is reluctant to impose further burdens on a private sector that he is counting on to deliver economic growth. But there are also some quite ardent environmentalists, such as Chris Huhne, the increasingly assertive Lib Dem energy secretary. Mr Cameron's instincts are somewhere in the middle.

The prime minister is more aware than most of the political irrelevance of environmentalism. As leader of the opposition, he learned the hard way. Among the "modernisers" who wanted to remake the Tory brand, there was always a divide between those who thought voters disliked the party because of its supposed disdain for "soft" issues such as the environment and gay rights, and those who insisted that the real problem was the party's perceived indifference to public services and poverty.

The former camp, the so-called "Soho modernisers", set the tone of Mr Cameron's early years as Tory leader, hence his glacier tour and all that conspicuous cycling. The latter group-some of whom call themselves "Easterhouse modernisers", after a Glasgow housing estate visited by Iain Duncan Smith, the last but one Tory leader-argue that this contributed in two ways to the Tories' failure to win last year's general election outright.

First, it made the already privileged, metropolitan Tory leadership seem even further removed from the concerns of ordinary people. Although 19% of voters may have been worried about the environment in 2007, more were thinking about crime, health services and so on. After five years of modernisation, the party went into the last election still doubted over its commitment to the poor and social justice. Second, dwelling on soft issues left the Tories unprepared for the return of hard economic questions brought about by the financial crisis, a subject on which they rarely sounded convincing.

The government knows that making too much of its environmentalism risks alienating squeezed voters. Even Ed Miliband, the Labour Party leader and former energy secretary, who is closer to the green movement than perhaps any other senior politician, has not made the environment a big theme. The worry for greens is that the lack of political utility in their cause will ultimately prompt government to water down environmental policy itself. If so, those years before the crash will not be remembered as the flowering of the environmental movement, but as its peak.

Index | Britain

Reforming hospitals

Kill or cure

The government hopes to squeeze hospital costs without closures



THE government has put its ambitious health-care reforms on hold, while David Cameron tries to calm a bout of anxiety in his coalition. However, many hospitals are already finding that a combination of rising costs, heavy debts and looming budget cuts is forcing them to seek mergers with stronger institutions or even private-sector takeovers. Even less palatable for the coalition-and patients-there are worries that as the government seeks to save pound20 billion ($33 billion) in hospital running costs over the next four years, some closures may be inevitable.

Iain Duncan Smith, a predecessor of Mr Cameron as Conservative leader, last month signed a petition outside 10 Downing Street against closures of the emergency and maternity units of a hospital in his London constituency. Trafford hospital near Manchester-the birthplace of the National Health Service (NHS), where its first patient was treated on its founding in 1948-is considering privatisation, among other options, to resolve its debt crisis. In London, three big hospitals, including the historic St Bartholomew's, are contemplating joining up into one "superhospital".

Andrew Lansley, the health secretary, and his officials are confident that despite the severe financial stress at some hospitals, closures are "highly unlikely", says a source: mergers, takeovers and partnerships will be enough to save them. But population shifts, and the continuing move towards treating patients as day cases-mean that in some cases closure may be the most sensible option. John Appleby of the King's Fund, a health think-tank, says mergers are more likely to fudge problems of badly located hospital capacity rather than confront them; and the cost of effecting them means they can end up as expensive as well as inefficient solutions.

Given how Britons cherish the NHS, privatisations of hospitals might prove as controversial as closures. The government wants a "mixed economy" in the health service, citing Hinchingbrooke hospital in Huntingdonshire as an example of its readiness to bring in private-sector innovation. It will shortly become the first NHS general hospital to be franchised to a private company. Indeed, in Canada's generally well regarded health service, hospital treatment is often provided by charitable or private operators, with the state paying the fees-so there is no reason why more private-sector involvement in Britain's NHS would put its principle of free treatment for all at risk.

The minister who founded the NHS, Aneurin Bevan, was a centraliser who believed that if a bedpan were dropped in a distant hospital ward, the sound should reverberate around Westminster. Mr Cameron and his cabinet want more diversity and local control. But the sensitivity of voters to anything that goes wrong with the health service, and the scope of the reforms and cost savings they intend to push through, will make them loth to relinquish their grip, at least for now: the clatter of Bevan's bedpan will continue to be heard, all too loudly, in government.

Index | Britain

Sir Henry Cooper

The man who felled Cassius Clay

Britain mourns the passing of a boxer who became a national treasure



A moment of glory

ALL the honours and offices that could be bestowed upon a national sporting hero were granted to Sir Henry Cooper, a British heavyweight boxer, who died on May 1st at the age of 76. Along with the belts and trophies he won in the ring, he boasted a knighthood and an Order of the British Empire medal. He had a road named after him in Eltham, the south London suburb where he grew up, and a pub (now closed) near his birthplace in the inner-city Elephant & Castle district. Close by, an official blue plaque-denoting a building of significant historic interest-adorns another former pub, in whose upstairs gym Sir Henry used to train.

After scooping the BBC's Sports Personality of the Year award twice, in 1967 and 1970, Sir Henry went on to occupy the post of team captain on the broadcaster's long-running prime-time quiz show, "A Question of Sport", an accolade awarded only to the country's sporting elite. His personable manner and good humour won him these distinctions. He had managed to remain a gentleman in a sport where brutality was so often the mark of a champion.

Even at the height of his renown in the ring, Sir Henry could be found selling fruit and vegetables in the greengrocers he ran with his twin brother, George (himself no slouch in the ring). It showed that he never lost touch with his roots. But it was also born of necessity. The rewards then enjoyed by top boxers were meagre compared with the multi-million-pound prize pots on offer nowadays, even to fighters of limited ability.

Unfortunately for Sir Henry, though he dominated heavyweight boxing in Britain for more than a decade, a world title eluded him. How different it might have been. His trademark clubbing left hook, 'Enry's 'Ammer, knocked down Cassius Clay in a non-title bout in London in 1963. The bell, and some sharp practice over a change of glove, gave the young American boxer time to recover. Mr Clay went on to win that fight and his next, against Sonny Liston, to take the world heavyweight crown. Mr Clay returned to London as Muhammad Ali in 1966, beating Sir Henry in a rematch.

Mr Ali became a global megastar. Sir Henry's celebrity remained resolutely national. Nevertheless, it was fame enough that, once he had hung up his gloves, it allowed Sir Henry to make a bob or two by appearing in advertisements for aftershave and breakfast cereals. Alas, his investments went bad, forcing him to sell his boxing awards in 1993. He never complained. He was what the British, wary of success, like most of all-a plucky loser.

Index | Britain

Policing

The wrong arm of the law

A worrying case of police excess



Caught on camera

THE wedding of Prince William and Kate Middleton was an opportunity for Britain's bobbies to put their best foot forward: indeed, the policing of the huge crowds thronging London's streets went off well, with no serious incidents-there was even a copper doing comic turns outside Buckingham Palace to amuse the public. Unfortunately, four days later a less PR-friendly side of modern British policing was on display when an inquest jury found that Ian Tomlinson, a newspaper seller, had been unlawfully killed after a police officer used "excessive and unreasonable force" against him during protests over the G20 summit in London in 2009.

Video recorded by a passing businessman showed Tomlinson being struck from behind by PC Simon Harwood while walking away from the police line. He collapsed and, a few minutes later, was dead. Prosecutors at first decided not to bring charges against the policeman, partly influenced by an initial post-mortem-now discredited-which suggested Tomlinson could have died at any time because of heart disease. Now PC Harwood risks being charged with manslaughter.

Unfortunately this is not the only time in recent years that police have come under fire for appearing to use unwarranted aggression. The Independent Police Complaints Commission (IPCC) is looking into the case of a student (himself now charged with violent disorder) who needed brain surgery after allegedly being attacked by police during protests last year against university tuition fees. Last September a special constable in Wigan was jailed after being caught on video brutally beating a man arrested for drunkenness.

The High Court ruled last month that the police's "kettling" of protesters during the G20 protests-detaining them for hours without food, water or access to toilets-was unlawful: the widespread use of this tactic against even peaceful demonstrations now seems likely to end. In March, in contrast, London's police had been criticised for being too lax in responding to vandalism on the fringes of a protest against government cuts. Many officers no doubt muttered that they just can't win.

Policing places like London has become a great deal more complicated, thanks to everything from international terrorism to the use of social media to assemble fast-moving crowds of demonstrators. Policemen are now constantly under the gaze of mobile-phone and video cameras. Public demands for official scrutiny are also increasing: the IPCC's caseload rose by 8% last year, with complaints of "oppressive conduct or harassment" up 14%. In the inquest PC Harwood seemed confused over his powers, first acknowledging that officers had to justify their use of force but then suggesting that: "If I say it is reasonable, it is reasonable." The jury, an ancient institution, disagreed with the latter. The days when a policeman's word alone was enough to satisfy a court have long gone.

Schools and parental choice

Admission impossible

It will not be easy to reform the complex rules on school admissions

IS YOUR son an accomplished violinist? Buy a house near one of the many state-funded schools that can now prefer pupils with musical talents, and he will sail to the front of the queue for a place. Is little Johnny a whizz at maths? Alas, only a few scattered patches of England now have academically selective "grammar" schools that can legally admit him ahead of his innumerate friends. Piety might help: have him baptised and attend services regularly and he could win a place at one of the many high-performing church schools.

England's state schools have an absurdly complex rule book for how they may and may not choose their pupils. (The rest of Britain goes its own way in education policy.) This infuriates conscientious parents and forces them to resort to all sorts of tricks to get their offspring a decent, publicly-funded education. Michael Gove, the education secretary, is bent on overhauling the rules. But it will not be easy.

Parental choice is a keystone of the government's education policy, and demand for a high-quality school place outstrips supply. In cities competition is particularly fierce: a third of secondary-school age children in London failed to get their first choice of school this year. However, any system of deciding who gets into the most popular schools-catchment areas, entrance exams, talent contests, lotteries-will seem unfair to those not chosen.

Past changes to the admissions rules have sought to make it harder for determined, middle-class parents to work the system to get their children into the best establishments. Schools can no longer interview parents as part of the application process-those that did were suspected of favouring well-heeled families above poorer ones-and even the price of uniforms is regulated. Six codes have appeared over the past 12 years. The most recent one, devised by Mr Gove's Labour predecessor, Ed Balls, runs to 126 pages.

Mr Gove wants to modify the code so that children do not suffer if their parents cannot afford to pay for extra music lessons or the higher cost of a home near a good school, or who do not wish to feign religious faith. He has an ally in the bishop of Oxford, John Pritchard, who is overseeing a revision of the Church of England's school-admissions code, which operates alongside the state's version. The church runs 4,800 state-funded schools, of which about half are permitted to reserve some or all of their places for children from churchgoing families (which tend to be better-off). Each is free to determine how many places to retain for regular worshippers but Bishop Pritchard thinks they should limit the proportion to about 10%. If his ideas gain clout within the church, that could greatly improve the lot of the poor.

One in six of England's state secondary schools has now broken away from the control of local authorities to become an "academy", and their numbers are expected to double in the coming year or so. Academies are exempt from their council's admissions policies, though they remain subject to the national code and so, for example, cannot select by academic prowess. Parents who set up state-funded "free" schools face the same restrictions and cannot favour the founders' children under the existing rules.

Giving such schools a bit more freedom to manage their admissions would make sense-it should help them to build a clear identity and thus a stronger *esprit de corps*. But squaring this with Mr Gove's promise to ensure that more parents get their first choice of school will be a difficult trade-off. At best his revised rule book seems likely to end up only a little less complex than its predecessors.

Aberdeen after oil

Seeking the next wave

As output slows and taxes bite, an oil town looks to new markets

WHEN George Osborne presented his "pro-growth" budget to Parliament in March he cited London and Liverpool twice each, and Germany no fewer than six times. Yet the chancellor made no mention of Aberdeen, a Scottish city of around 200,000 people that is home to the North Sea oil industry. Perhaps he should have, because the "Granite City", lifted by high crude prices and teeming with enterprise, has been booming despite the steady decline in Britain's ageing oilfields.

Perhaps Mr Osborne was sheepish about praising Aberdeen because he was about to hit its main industry with an extra pound2 billion a year in taxes. This has dealt a heavy blow to the industry's hitherto bullish mood, according to a survey published on May 4th by Oil & Gas UK, a lobby group. A report from academics at Aberdeen University said the tax rise could cut North Sea investment by pound30 billion over the next decade. The government disputes this.

Although there are still thought to be around 20 billion barrels of the black stuff under the waters off Aberdeen, extracting it is getting ever more difficult and costly. Britain's North Sea production peaked in 1999 at 4.5m barrels a day, and will decline to just 2m by 2016, according to Oil & Gas UK. Giants such as Shell and Exxon Mobil are drifting away, lured by more bountiful reserves in Africa and the Americas. Of the 440,000 workers Britain's hydrocarbons industry supports, one-tenth are based in Aberdeen itself, so it is highly vulnerable to any decline in oil-related activity.

However, a new generation of smaller producers is taking over fields left by the oil giants, seeking to squeeze the last drops out of them. Ithaca Energy, a Canadian company, now operates in four North Sea fields off the British coast. Xcite Energy, owned by former employees of ConocoPhillips, is headquartered in Aberdeen and working the deepwater Bentley field.

More promising still, the expertise that Aberdonian oilmen have built up over decades on rain-lashed rigs is now being used to create high-tech start-up companies, which are exporting to offshore producers the world over.

One such is Flexlife, which makes equipment to detect and repair faults on the pipelines that connect undersea wells to floating platforms. The company began life in 2007 as a two-man operation, with a pound20,000 bank loan. But it now employs 65 people and its revenues grew by 50% in the year to March, to around pound7.5m. In 2010 two private-equity firms invested pound5.5m to help the firm expand into new markets, including Brazil, Malaysia and Angola.

Red Spider, founded in 2003, is another nimble niche operator. Its patented technology shuts off the flow of oil through a valve quickly and remotely-a process that usually takes up to 36 hours and costs at least pound500,000. The firm expects revenues to rise from pound11m this year to pound20m by 2013, with three-quarters of new business coming from Norway, the Americas and Asia.

So although the oilmen are full of gloom over the tax rise, Aberdeen's enterprising spirit may see it through. The city's boom offers a sharp contrast to the economic gloom elsewhere in northern Britain. Its house prices are closing in on pre-recession levels. Its smart hotels are booked up months in advance. Aberdeen, says Steve Nicol, Red Spider's boss, "is like nowhere else", a bustling mini-economy run by globally minded entrepreneurs. A recent survey by Campbell Dallas, an accounting firm, found that Aberdeen was one of only two British cities in 2009 to create more new companies than it lost. That, if nothing else, should grab the attention of Britain's pro-growth chancellor.

Index | Britain

Foot-and-mouth disease

Senseless killing

A hugely expensive cull of livestock may have been unnecessary



Innocents to the slaughter

Correction to this article

BRITAIN'S 2001 outbreak of foot-and-mouth disease, which causes blisters and lameness in farm animals, was one of the biggest to have hit a developed country. Some 6m cattle, pigs and sheep were culled to get the epidemic, which is caused by a virus, under control. The damage to agriculture was outweighed by the losses suffered by the tourism industry, as pictures of closed roads, quarantined farms and piles of blazing animal corpses were beamed around the world. The final bill was estimated at around pound8 billion.

The culls-which were controversial even at the time-were informed by veterinary models of how readily the disease is transmitted between animals. But a paper published on May 6th in *Science*, a leading scientific journal, suggests that those models may be too pessimistic. A study led by Bryan Charleston at the Pirbright Laboratory, a government-funded veterinary research centre in Surrey (which, ironically, was almost certainly the source of a 2007 outbreak of the disease), has discovered that cows infected with foot-and-mouth are contagious for much less time than previously thought.

Existing models are based on indirect measures of how infectious an animal is-a cow with high levels of the virus in its blood, for instance, is assumed to be able to infect other animals. In contrast, Mr Charleston's study-which the government paid for, so as to learn how better to control the disease-measured direct incidences of transmission between animals. It found that, in practice, cows were only infectious for around 1.7 days, which is less than half of the previously-assumed period. Farmers have about half a day between symptoms appearing and the animal becoming infectious, giving them a bit of time to separate it from others before it is able to pass on the disease.

The upshot is that the programme of culling that the government embarked on was probably more aggressive than it needed to be, and that a system of quick detection and isolation of unwell animals might have been sufficient to keep the disease in check. The widespread monitoring and testing of herds required by such a system would be expensive-but probably less so than the slaughter and disposal of millions of animals.

The results by themselves do not mean the government mishandled the crisis-it was simply going by the best scientific evidence available at the time. But, alongside existing plans to make more use of vaccination against foot-and-mouth (a tactic unpopular with farmers since it hinders their ability to export meat), the study offers vets another, less grisly option for dealing with any future outbreaks of the disease.

The original version of this article said the Pirbright laboratory was the likely source of an outbreak in 2001. This has now been corrected to 2007.

Index | Britain

Bagehot

Britain's got (foreign) talent

Opening Britain's doors to east European workers was the right thing to do



TWICE in modern history, Britain has proved a rare friend to Poland, welcoming its people when other Europeans slammed doors shut, declares Wiktor Sotowski, owner of Spitfire, a west London restaurant and shrine to Anglo-Polish amity.

There was the second world war, when Polish airmen flew in the Battle of Britain: Mr Sotowski serves his *pierogi* and beetroot soup beneath model warplanes, squadron badges and snaps of glowering, bemedalled marshals. Then came 2004, when Poland and seven other ex-communist countries joined the European Union. Alone of the big Western economies, Britain immediately opened its labour markets (as did smaller Ireland and Sweden). Others took longer to do so. Germany and Austria maintained their transitional curbs until May 1st this year, fully seven years after that EU enlargement. The consequences were startling. An estimated 1.5m eastern migrants headed to Britain (though perhaps half later returned home).

"I am so proud of Great Britain," says Mr Sotowski, visibly moved. Alas, British political leaders do not share his pride. Instead, a cross-party consensus is forming that Britain should have copied the closed-door policies of countries like Germany.

Opening labour markets in 2004, when other large economies imposed restrictions, was a "huge mistake", says Damian Green, the Conservative immigration minister. Coming after a surge of asylum-seekers in the 1990s, migration from the east contributed to "a catastrophic loss of public confidence in the immigration system". Importing foreigners, he adds, was a short-term fix to the real challenge: equipping British citizens for work.

Last month, David Cameron defended new migrants against charges of stealing jobs. Migrants, he said, had mostly filled gaps in the labour market left by a welfare system that "paid British people not to work". But in the same speech, the prime minister took swipes at any new arrivals who were unwilling to integrate, bringing "discomfort and disjointedness" to communities knitted together by shared rituals such as school runs or "the chat down the pub". Immigration had been too high for too long, Mr Cameron insisted, citing the "huge number" of east Europeans arriving since 2004: transitional controls should have been used to reduce their numbers, and would be applied to all future EU members. (In fact, Britain already imposes labour controls on Bulgarians and Romanians, who joined the EU in 2007: most were likelier to head to Spain or Italy in any case).

The Labour leader, Ed Miliband, whose grandparents were Polish refugees, said in April that the previous government "clearly underestimated the number of people coming in from Poland". Labour had to address voters' fears that incomers were putting pressure on wages and housing-though "some of that is real and some of it isn't," he delicately noted.

In a democracy, voter angst cannot be ignored. In retrospect, Tony Blair was culpably silent in 2004, failing to explain that he had chosen to increase legal migration into Britain and why. Though Poles are hardly Britain's toughest integration challenge-their popular image is one of devoutly Christian, family-loving, football-mad beer-drinkers with a strong work ethic-the unexpected speed and scale of their arrival caused headaches. They also carried unfamiliar accents and customs (and *pierogi*) far beyond multicultural hubs such as London to provincial towns and villages whose public services struggled to cope.

But there is a lot of cant about. Mr Green is right that many British people lack skills; it is less clear that excluding Polish plumbers for the past seven years would have improved British craftsmanship. Mr Cameron's recent speech conflated problems of integration (which may involve the second or third generations of migrant families) with the anxieties triggered by competition from newly arrived Polish nannies or Latvian barmaids (who have become integral, in many places, to the school runs and pub chats of which he speaks so lyrically). As for Mr Miliband, studies have found only a limited impact on wages from migration, mostly affecting the lowest paid: the National Institute of Economic and Social Research estimates that the 2004 influx to Britain depressed real wages over the long run by 0.36%.

They would have come anyway

Most important, labour curbs within the EU are a fantasy. All EU countries granted Poland and the other newcomers in 2004 free rights of entry and residence (but not the right to work). Granting free movement was a good thing to do. Enlargement remains the union's greatest achievement, reuniting a continent divided by decades of communist tyranny. But once poorer neighbours enjoy free movement, closing legal routes to work will inevitably result in a bigger black market. This happened in Germany, home to an estimated 400,000 Poles despite tough restrictions. Moreover, the self-employed are excluded from EU transitional controls: "self-employed" easterners in Germany duly doubled in number after 2004. Germany tried easing rules for graduates from the east, but that did not counter its image as a "closed country", putting off younger, better-educated migrants, says Klaus Zimmermann of the Institute for the Study of Labour, a think-tank in Bonn. Britain became "known for openness", attracting a much bigger share of young, skilled migrants and graduates than Germany did: a British win, says a rueful Professor Zimmermann.

In short, Britain did the right thing-backing free movement across a united Europe-and then the pragmatic and smart thing: attracting the best-educated who wished to work legally, while pushing lower-skilled migrants (large numbers of whom would have come anyway) into legal, taxable work. Mr Sotowski has reason to be proud of his host country. If British politicians were braver, they would be proud too.

Economist.com/blogs/bagehot

Index | International

The surge in land deals

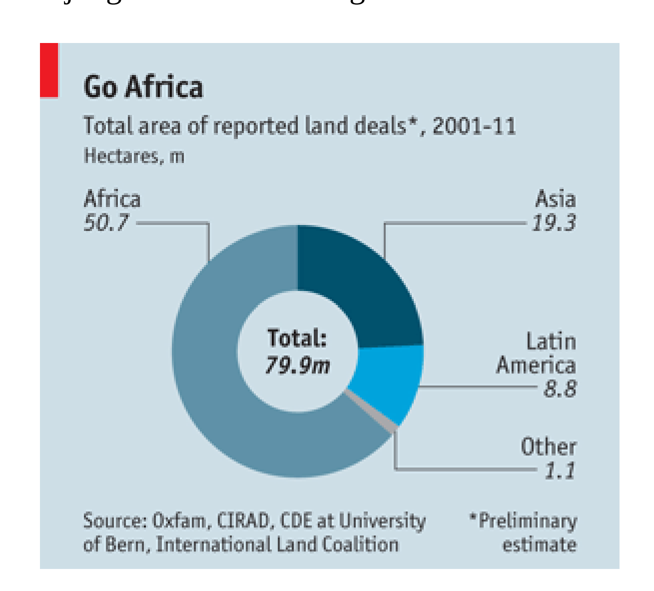
When others are grabbing their land

Evidence is piling up against acquisitions of farmland in poor countries



THE farmers of Makeni, in central Sierra Leone, signed the contract with their thumbs. In exchange for promises of 2,000 jobs, and reassurances that the *bolis* (swamps where rice is grown) would not be drained, they approved a deal granting a Swiss company a 50-year lease on 40,000 hectares of land to grow biofuels for Europe. Three years later 50 new jobs exist, irrigation has damaged the *bolis* and such development as there has been has come "at the social, environmental and economic expense of local communities", says Elisa Da Via of Cornell University.

When deals like this first came to international attention in 2009, it was unclear whether they were "land grabs or development opportunities", to quote a study published that year. Supporters claimed they would bring seeds, technology and capital to some of the world's poorest lands. Critics, such as the director of the UN's Food and Agriculture Organisation, dubbed them "neo-colonialist". But no one had hard evidence to back up their claims. Now they do. Two years on, a conference at the Institute of Development Studies (IDS) of the University of Sussex, the biggest of its kind so far, examined over 100 land deals. Most judgments are damning.*



Land grabs have been strikingly popular. Preliminary research by the International Land Coalition, a non-governmental organisation, reckons almost 80m hectares have been subject to some sort of negotiation with a foreign investor, more than half in Africa (see chart). This estimate is far higher than a previous one, by the World Bank, which last year said that foreign investors had expressed interest in 57m hectares. It is higher still than one by the International Food Policy Research Institute (IFPRI) which put the figure in a 2009 study at 15m-20m hectares. It would be wrong to draw a line between these numbers so as to conclude that land deals have grown fourfold. Since most are secret, knowing what to count is difficult, and the figures refer to different periods.

Yet each time someone has looked at the phenomenon, the result has been a figure roughly twice the earlier estimate. It is also clear that the overall scope is vast: 80m hectares is more than the area of farmland of Britain, France, Germany and Italy combined. And land deals are continuing, possibly even speeding up. Over a tenth of the farmland of South Sudan

has been leased this year-even before the country has formally got its independence. GRAIN, an advocacy group, says it has seen proposals that would allow Saudi business groups to take control of 70% of the rice-growing area of Senegal.

It is not just the size of land deals that remains uncertain. Their contractual basis often is, too. Few contracts have been made public, so details are sketchy. But an investigation of 12 that have been, by Lorenzo Cotula of the International Institute for Environment and Development, declares many "not to be fit for purpose". The rights and obligations of each side, Mr Cotula says, are usually extremely vague, while traditional land-use rights are frequently ignored. As one farmer asked when a British company acquired forestry rights in Tanzania: "How come others are selling our land?"

Even after the contract is signed, there is no guarantee a land deal will go ahead in accordance with it. A survey by the World Bankâ€ showed that in the Amhara region of Ethiopia, only 16 of 46 projects were working as intended (the rest lay fallow or had been rented back to smallholders). In Mozambique only half the projects were working as planned.

Still, some conclusions seem warranted. When land deals were first proposed, they were said to offer the host countries four main benefits: more jobs, new technology, better infrastructure and extra tax revenues. None of these promises has been fulfilled.

Locals usually regard jobs as the most important of these. But so far they have been scarce, and only partly because many projects are not yet up and running. In Mozambique, the World Bank found, one project had promised 2,650 jobs and created a mere 35-40 full-time positions. A survey by Thea Hilhorst of 99 smaller projects in Benin, Burkina Faso and Niger reported "hardly any" rural job creation. Only one of the publicly available contracts studied by Mr Cotula even specifies a number of new jobs to be created. And when there are jobs, foreign investors often bring in outsiders to staff them, leading to "conflict or accusations of cheating", according to the World Bank. The manager of one project was killed during an argument about jobs.

Evidence of the transfer of technology and skills is mixed. Ms Hilhorst found almost no impetus towards greater professionalism in farming, although she concedes that closer links with food processors and distributors might improve matters. The World Bank's study argued that technological improvements in Ukraine and Mexico had helped reduce rural out-migration (though this was surprising: you might have expected new labour-saving technologies to encourage underemployed farmers to leave the land). Mr Cotula's study of land-deal contracts found few examples in which the foreign investor was obliged to exchange materials or ideas with local farmers. At the moment, land-grabbing foreigners seem to be creating islands for themselves, cut off from the poverty-stricken countryside.

Grabbing sans giving

Some projects' operators have done better in building new schools, clinics and other "social infrastructure". Madagascar may be a surprising example as it witnessed what is perhaps the most notorious land grab of all: a South Korean company was offered half the country's arable land-a proposal that fuelled protests which eventually toppled the government who approved the deal. Two years later Perrine Burnod of CIRAD, a French research organisation, found that the number of land deals on the island had fallen by two-thirds. And those that remained had begun to look more like aid projects, with investors committing themselves to building schools and clinics. Local mayors were welcoming them in to help finance projects no longer supported by the cash-strapped central government.

Yet this is atypical. Most land deals contribute little or nothing to the public purse. Because markets for land are so ill-developed in Africa and governments so weak, rents are piffling: $2 per hectare per year in Ethiopia; $5 in Liberia. Tax and rent holidays are common. Indeed, it is not unusual for foreign investors to pay less tax than local smallholders. And upfront compensation to local farmers for use of their land is derisory: often just a few months of income for agreeing to a 100-year lease.

"The risks associated with such investments are immense," concludes the World Bank. "In many cases public institutions were unable to cope with the surge in demand...Land acquisitions often deprived local people, in particular the vulnerable, of their rights...Consultations, if conducted at all, were superficial...and environmental and social safeguards were widely neglected."

So why are land deals popular? That is surprisingly easy to answer: strong demand and willing suppliers. The big investors tend to be capital-exporting countries with large worries about feeding their own people. Their confidence in world markets has been shaken by two food-price spikes in four years. So they have sought to guarantee food supplies by buying farmland abroad. China is by far the largest investor, buying or leasing twice as much as anyone else.

Local elites have also played a vital role in spreading land deals. In a Tanzanian project described by Martina Locher of the University of Zurich, "local people who refer to customary law have a very low level of knowledge [and cannot] defend their land rights." In contrast, she writes, "state law is mainly represented by district officials, who...enjoy a high level of respect by local people."

Then there is corruption. Many of the west African "land grabbers" described by Ms Hilhorst are local politicians, civil servants and other urban elites who bribe local chiefs with gifts of motorbikes. Madeleine Fairbairn of the University of Wisconsin, Madison, argues that in Mozambique, an informal division of the spoils has emerged. Local bigwigs use their influence to get "facilitation fees", while national leaders manipulate the law and promote (or obstruct) projects to their own and their supporters' advantage.

Many development projects work this way. What makes land grabs unusual is their combination of high levels of corruption with low levels of benefit. Ruth Meinzen-Dick, one of the authors of the IFPRI study, says that in 2009 the balance of costs and benefits was genuinely unclear. Now, she argues, the burden of evidence has shifted and it is up to the proponents of land deals to show that they work. At the moment, they have precious few examples to point to.

* Papers and presentations available at http://www.future-agricultures.org/index.php â€ "Rising Global Interest in Farmland", World Bank, 2010.

Index | International

Soap operas and development

Good trash

How television and radio shows can improve behaviour

In the radio drama "Nau em Taim" ("Now is the time" in Pidgin) aired in Papua New Guinea, a widowed father takes up dynamite fishing-profitable but disastrous for the reef. Then he meets a dashing marine scientist who warns him off. The idea is that by the end of the drama, which debuted in February, both he-and the listeners-will renounce dynamite for sustainable fishing.

The show's producer, the Population Media Center (PMC) in Vermont, has been a pioneer of programmes with the goal of fostering development. But other groups have increasingly followed suit. In Vietnam Khat Vong Song uses radio drama to teach its listeners about domestic violence. In Kenya Mediae promotes civil rights with a television soap called "Makutano Junction".

Evidence that radio and television soaps can change behaviour was first spotted in the 1970s. But solid academic research was lacking until a few years ago. In 2008 economists at the Inter-American Development Bank, for instance, found that Brazilians receiving Globo, a television network, had fewer children and got divorced more often. Another study discovered that, as cable television spread, the fertility rate in rural India dropped by as much as if women had received five additional years of education.

Some thought that this was because couch potatoes were less likely to make babies. But research in Ethiopia showed that dramas can have a direct effect. Demand for contraceptives rose by 157% among married women who listened to the soap operas "Yeken Kignet" and "Dhimbibba". Male listeners sought tests for HIV/AIDS four times as much as male non-listeners.

"The best results are when people identify with characters," says Betty Oala of the PMC. This is why the organisation does extensive research, takes on local writers and uses native languages.

Not only are soaps effective, but they are also cheap. Radio programmes can cost as little as three cents to reach a listener in Africa. Yet trying to influence the poor can be controversial. Although producers do not hide their agendas, Charles

Kenny, an economist, thinks that there could be a "quagmire of a debate over morals and a tangle of regulation". An increase in divorces, say, may seem like good news to a woman activist, but bad to a Catholic priest.

Innovation in online advertising

Mad Men are watching you

How real-time bidding will affect media companies



YOU are browsing for lampshades on a department store's website. You grow bored, and surf across to the website of your favourite daily newspaper. Mysteriously, the lampshades follow you: an advertisement for the same brand appears next to the article you are reading. Welcome to the world of real-time bidding, a cleverer and nosier way of selling advertising that is beginning to shake up the online media business.

A decade ago online display advertisements, or "banners" as they were often known, were booming. Companies paid huge sums to appear on news websites. But, as the number of ads increased, people stopped noticing them. Now, for every 1,000 display ads that pop up, less than two are clicked on. Prices have slumped. Some media firms, notably News Corporation, have concluded that online ads will never bring in enough money to support a newspaper. Meanwhile search advertising, which reaches people when they seem to be interested in something, has grown from 1% of American online ad spending in 2000 to almost half, turning Google into a $172 billion company.

Conventional display ads are simply wasteful, says Jakob Nielsen of GroupM, a large media buyer. Say a company wants to reach young men. It might buy ads on the sports section of a large portal such as Yahoo!. But it will also be paying for the women who visit that page. If it also buys ads on the sports section of another large portal, such as Microsoft's MSN.com, it will pay twice for the people who frequent both web pages.

Real-time bidding helps solve these problems by allowing marketers to buy known audiences. Click to open a web page and an automated auction begins. Firms bid to serve an advertisement, taking into account where it will appear and what they know about the presumed viewer from digital traces he has inadvertently left around the web. The winner serves the advertisement, often customising it-so you may see more ads for convertible cars on a sunny day. The whole process generally takes some 150 milliseconds, or less than half the blink of an eye.

Many online ads-particularly the expensive ones that appear on home pages-are bought and sold much like old-media advertisements. A seller agrees on a price with a buyer, and then pays for lunch. But many publishers sell only one- to two-fifths of their online ads directly, says Jay Stevens of the Rubicon Project, a California firm that works with many of them. The rest are offloaded to digital middlemen. It is in this high-volume, low-cost market that real-time bidding is advancing. In the past year, says Mr Stevens, real-time bidding has risen from almost nowhere to capture 30-40% of spending.

Real-time bidding makes it easy to aim ads at susceptible eyeballs. Firms such as John Lewis (a British department store), Zappos (an online shoe-seller) and Lenovo (a computer-maker) know that you have visited their websites because they dropped digital markers onto your computer. They then outbid others to reach you again. This is called "retargeting".

BSkyB, Britain's biggest pay-TV outfit, has used the technology to reach wealthier viewers who might be more interested in a new channel devoted to well-crafted American dramas. It has also taken aim at people who show an interest in 3-D television. And it has cut down on waste from trying to sell subscriptions to people who already have them. Matthew Turner, Sky's head of digital marketing, expects half the firm's online budget to go on real-time bidding within two or three years.

King Content v King Data

In the short term, what is good for advertisers is also good for ad sellers. Reducing waste raises prices. Laurent Cordier of Google says that retargeting can raise click-through rates five- or tenfold. Google now sells many ads on its Doubleclick ad exchange by means of real-time bidding, and is introducing the technology to YouTube, its video website. In 2010 display advertising actually gained market share in America, according to the Interactive Advertising Bureau. Search fell slightly.

But the growth of real-time bidding may prove highly disruptive. An auction system allows everyone to discover the real value of online ads. It also provides a wealth of data to advertisers about the behaviour of their target audiences. These days some media firms can charge relatively high rates for online ads on the grounds that their websites are frequented by the young or the affluent. Increasingly, advertisers are learning how to reach the same people on other websites, for less money.

As Mr Nielsen of GroupM puts it, the conversation between buyers and sellers of advertising is becoming unbalanced, with the former often armed with more data than the latter. Some media firms have responded by selling fewer ads through middlemen, in real time or otherwise. But that may mean ads go unsold. Media firms can also tilt the balance by discovering more about their customers than can be gleaned through auctions. The obvious way to do this is to force people to register for websites, or even to pay (which reveals their credit-card details and where they live). In short, content is no longer king online. Information about users is what really matters.

Regulators may yet stymie the growth of real-time bidding. Targeted advertising is drawing anxious scrutiny from congressmen and journalists. A *Wall Street Journal* investigation into online tracking last year found that its own website dropped 60 digital markers onto a visiting computer. Before May 25th European governments must incorporate a privacy directive that is expected to make it easier for users to opt out of targeted ads. A confusing patchwork of laws may result.

But few expect radical change. So quickly has targeted advertising advanced that a ban would severely disrupt the internet economy. Web users are more likely to see little icons identifying targeted ads. If the past is any guide, people will learn to ignore them, too.

Index | Business

The global beer industry

Sell foam like soap

To maintain profit growth, brewers will need keen marketing

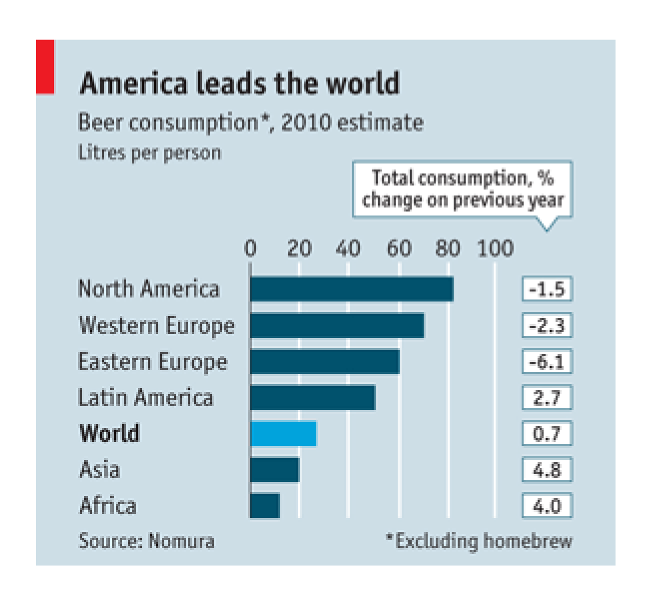


Buy it cheap, quaff at home

MASS-MARKET beers taste like soapy water. Or so many real-ale snobs insist. So it is hardly surprising that they are now being marketed like soap powder.

People in rich countries are not drinking enough beer. By volume, sales in 2010 fell by 1.5% in America and 2.3% in western Europe, says Nomura, a Japanese bank. Only "craft" ales from small independent breweries did well, rising by 11 in America. Wealthier drinkers quite like these exclusive brews but have, overall, gone off their beer in favour of wine and spirits.

Until recently big brewers tried to make up for flagging sales in the rich world by pushing into emerging markets. Over the past decade they have bought or merged with local brewers, thereby gaining access to their all-important distribution chains. A $52 billion tie-up in 2008 between Anheuser-Busch, the American brewer of Budweiser, and InBev, a Brazilian-Belgian firm, saved a fortune. Cost-cutting through mergers will have boosted global brewers' profits by $3 billion over the five years to 2012, estimates Credit Suisse, a bank.



But although consumption per mouth in poorer countries has far to go to catch up with the West (see chart), growth is set to slow, predicts Nomura. Worse still, emerging markets are not nearly as profitable as rich ones. Anheuser-Busch InBev (ABI), now the global leader, sold a third of its beer in North America in 2010 yet reaped 46% of its profits there.

So the "big four" brewers (which control about half of the global beer market) need to look at home for future profits. The trouble is, boozers in rich countries are increasingly drinking at home. In Britain, for example, about half of all beer is bought for swilling on the sofa. By 2018, thinks Molson Coors, a Canadian brewer, as much as 70% could be. Since the margins in supermarkets are thinner than those in bars, that spells trouble for brewers.

In response, they are changing their business model. Their dream is to sell beer like premium-priced detergent, using uniform global marketing campaigns organised from head office. Last month Carlsberg, a Danish brewer, launched a new worldwide slogan: "That calls for a Carlsberg". Like its peers, it has been furiously recruiting managers from big consumer-goods firms. (Its boss, Jorgen Buhl Rasmussen, previously worked for Duracell, a battery-maker, and Gillette, a purveyor of razors.) ABI has similar plans for a global marketing push for Stella Artois and Becks.

This will cost money, of course. Shoppers can easily buy the supermarkets' cheaper own-label beer instead of costlier brands. Few drinkers might want to be seen in public necking such downmarket stuff, but in the privacy of their own homes, who can tell the difference, especially after five or six? To retain their price advantage without losing sales, the brewers will need to market their brands as heavily as soapmakers do.

Advertisers have coined memorable beer slogans in the past, such as "Heineken refreshes the parts other beers cannot reach" and "This Bud's for You". Yet the big brewers have been parsimonious in their marketing budgets, typically investing just 10% or so of their revenues, compared with around 15% at companies like Unilever and Procter & Gamble. They will need to spend more just to stand still.

More aggressive marketing could help them in emerging markets, too. Brewers are hoping that, as incomes continue to rise in India and China, drinkers will abandon moonshine, tea and other poisonous muck, and upgrade to premium beer.

Meanwhile, the biggest brewers are consolidating. The combined market share of the top four grew from 22% by volume in 1998 to nearly 50% in 2010 (from which they pocket two-thirds of combined global revenues). But that is nothing compared with the dominance of the big two soft-drinks makers: Coca-Cola and PepsiCo together have three-quarters of their market. So investors in breweries are licking their lips as they contemplate a fresh round of takeovers.

SABMiller has been talked of as a potential buyer for Molson Coors, Australia's Fosters, Efes, Turkey's largest brewer-though it might find itself in competition with Heineken. ABI, it is said, may seek to take full control of Groupo Modelo, Mexico's number-one beermaker, of which it already owns half.

At the other end of the scale, microbreweries are bubbling. Mikkel Borg Bjergso, the proprietor of a bar in Copenhagen, makes a wonderfully light and floral pilsener, and markets it through word of mouth. He has helped to pioneer a crafty new business model. "Gypsy brewers" produce tiny quantities of inventive and flavoursome beers by hiring or borrowing other people's breweries.

These little brewers are so tasty that big ones are lining up to swallow them. In March ABI bought Goose Island, one of the larger American microbrewers, for $39m. Molson Coors recently bought Sharps, a British brewer of stupendous real ales. But such microdeals make little impact on the bottom line. America's 1,800 craft brewers account for a mere 5% of the domestic market.

Index | Business

Lego

Bricks and flicks

A toymaker masters virtual reality

KIDS these days do nothing but play mindless video games, leaving no time for constructive toys like those their grandparents loved. Lego executives must laugh when they hear such sentiments. Films and video games have not

demolished the little plastic bricks for which the Danish toymaker is famous. On the contrary, Lego has invaded the virtual world.

This month Lego will launch eight building sets inspired by "Pirates of the Caribbean", to coincide with the release of the fourth film in this Disney franchise. The Lego Jack Sparrow is shorter and stiffer than Johnny Depp, but recognisable. And Traveller's Tales, a British software company, will release a video game based on Lego's new Pirates play sets. The idea is that children will see the film and then be inspired to recreate its most swashbuckling scenes with Lego bricks. Then they will play the video game.



Oh no! Someone's built a new Death Star out of little plastic bricks

Lego has pulled this stunt several times before. It bought from Lucasfilm the licence for construction toys based on the "Star Wars" films, and now makes dozens of complex Star Wars play sets (see picture). Traveller's Tales keeps releasing new Star-Wars-Lego-themed video games to complement them.

Small wonder Lego's profits are "extremely satisfactory", as Jorgen Vig Knudstorp, the chief executive, put it last month. After nearly going under eight years ago, Lego now has 5.9% of the global toy market, up from 4.8% at the end of 2009. That makes it the world's fourth-largest toymaker. It is doing especially well in America, where sales last year surpassed $1 billion for the first time. Worldwide sales were up by 37% in 2010, to DKr16 billion ($2.8 billion). Net profit increased by 69% to DKr3.7 billion. Meanwhile, the world's biggest toymakers, Hasbro and Mattel, are struggling.

It helps that parents like Lego's toys (except when they tread on stray bricks with bare feet). Playing with bricks is said to enhance motor skills, creativity and other things that grown-ups fuss about. Last year in America Lego launched family board games with boards that need to be built and even a buildable dice. They instantly captured 12.6% of the market. A Lego website, Design byME, offers free software that allows brats to design their own Lego castle, spaceship or ginormous monster with huge fangs. They can send off their design, receive the bricks in the post and start building it.

Success breeds imitators. Last year Hasbro launched KRE-O bricks, aimed at the over-fives. Fisher Price, Mattel's preschool brand, launched bricks called TRIO, which boast of a "unique click-and-snap" technology but look a lot like Lego.

Yet Lego's position looks strong. Mattel was hurt by scares about toxic toys made in China. Lego, which does not make toys in Asia, was not. (It has cut costs by moving production to Mexico and eastern Europe.)

Mr Knudstorp does not want to sound complacent. He says he expects slower growth in 2011. Lego has come unstuck before, when it branched out into theme parks, girls' toys, clothes, watches and other unfamiliar businesses. The toy industry is fraught with peril: it is highly cyclical and subject to the whims of people who can't decide which shoe to put on which foot. But for the time being, Lego has built a business that can compete with the best.

Lactalis and Parmalat

Hard cheese

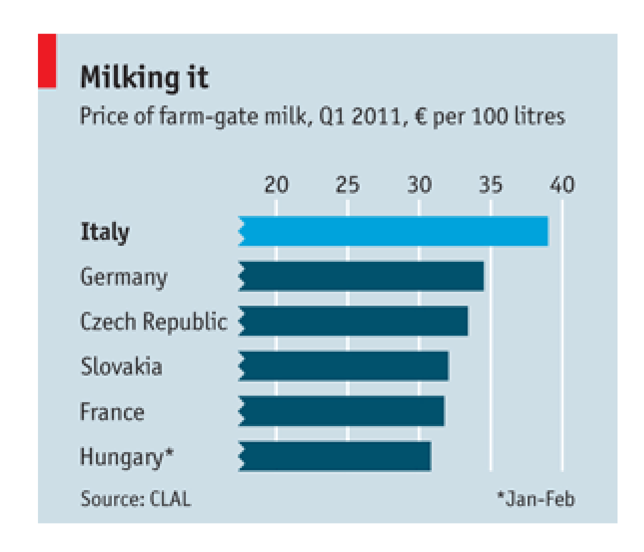
One of France's most pugnacious companies is poised to seize Parmalat

JUST weeks ago Italian politicians seemed determined to stop Lactalis, a French dairy giant, from taking control of Parmalat, Italy's biggest manufacturer of milk products. Backed by a government decree, Parmalat delayed its shareholder meeting to win more time to fight Lactalis, which had amassed a 29% stake. On April 26th Lactalis offered euro3.4 billion ($5 billion) for the whole firm. The chances of an Italian solution are now fading fast. This week, in a nod to the French, Silvio Berlusconi, Italy's prime minister, said the firm's takeover offer complied with market rules.

Some Italian businesspeople are relieved to see the government drop its protectionist attitude. "Having a foreign investor is good for all Italian companies and shows the market is open and functioning," says Alessandro Grimaldi, a senior partner at Clessidra Capital Partners, a private-equity firm in Milan.

If Lactalis carries off Parmalat it will create the world's biggest producer of milk products, including cheese. The dairy industry is rapidly consolidating as demand grows in the emerging world. The Europe-oriented Lactalis covets Parmalat's strong positions in Canada, Australia, South Africa and South America, where it wants to cross-sell its own brands. Parmalat, which now sells mostly milk products, such as UHT milk, will benefit from Lactalis's leadership in higher-margin cheese to increase its own production.

Parmalat and the Italian dairy industry may get a shock when the French arrive from Laval, the small town in the west of France where Lactalis is headquartered. Lactalis is disliked and feared by suppliers, customers and competitors for its toughness in negotiations. It drives a particularly hard bargain with farmers over the price of milk. When it bid euro1.4 billion for Yoplait, a yogurt brand, in November last year, France's government wanted it to succeed and keep the brand French. But Sodiaal, a farmers' co-operative group which owned half of Yoplait, rejected Lactalis because of its history of pushing down milk prices. America's General Mills seems to have got Yoplait instead and the French government partly blames Lactalis and its tactics.



Lactalis may put pressure on Italian farmers too. Italian milk is Europe's most expensive (see chart), because of the country's lower-yielding breeds of cows and the smaller size of Italian farms. "In a negotiation on behalf of Parmalat, Lactalis can threaten to bring in a higher share of milk from other countries," says Michele Baldelli, an analyst at Exane BNP Paribas in Milan. The French firm, which is known for its ultra-efficient cheese factories, is also likely to cut costs at Parmalat's plants.

Before Parmalat collapsed in 2003 in Europe's biggest bankruptcy, it was considered one of the dairy industry's most promising firms and ranked among the five biggest. Its current chief executive, Enrico Bondi, put it back on its feet and relisted it in 2005. But Mr Bondi was too conservative, say critics. Even though Parmalat had a pile of cash from legal

settlements with banks and auditors, he failed to make acquisitions. The firm remained relatively small and an obvious target for takeover. Lactalis, by contrast, has bought 30 companies since 2005. Italian milk may soon be coming in some new flavours.

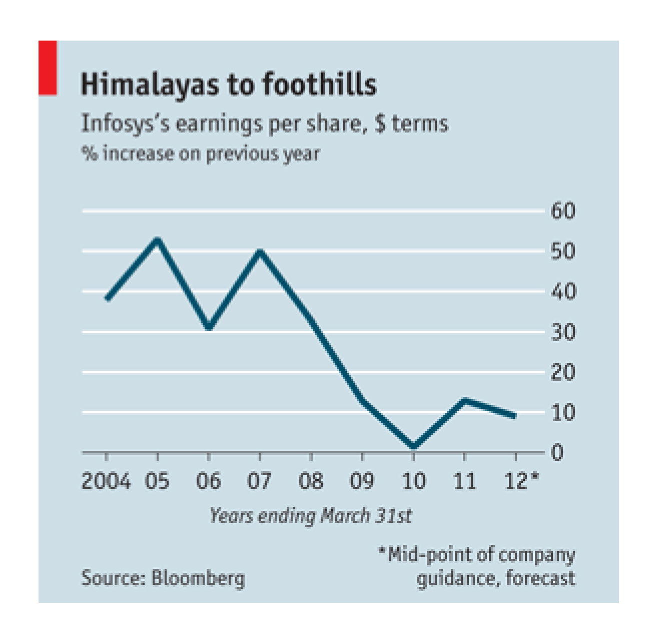
Infosys and Indian management

Letting go

Successful firms struggle with succession

IT'S a hard life on the top rungs of Infosys, the Indian technology company that has symbolised the country's economic rebirth. "I worked Saturdays, Sundays, every day 14 hours; just Infosys. I ignored my family; my poor wife has been ignored, my children have grown up, they will leave me and go and I will feel emptiness soon." So said a veteran executive as he announced his surprise retirement last month. Yet for all that Infosys has found it hard to escape the grip of its-presumably exhausted-founders, seven of whom began the company in 1981 with $250 and turned it a global concern with a market value today of $37 billion.

On April 30th, after weeks of speculation and bucketloads of platitudes from the company about corporate governance, it finally tried to put the succession question to bed. It only partly succeeded. K.V. Kamath, a banker, will be the first outsider to be chairman, replacing N.R. Narayana Murthy. That seems clear enough. But the rest of the succession looks muddled. The new chief executive will be the fourth consecutive co-founder to hold that post. The old chief executive, also a founder, will become executive co-chairman, a title loaded with ambiguity, while even Mr Murthy, the pre-eminent founder, will linger under a new role as chairman emeritus.



The hope must be that Mr Kamath, who built ICICI, India's largest private bank, will be able to knock heads together. Although his track record is not free of blemish-ICICI suffered a wobble during the financial crisis in 2008-he is well qualified, a burly but eloquent character with a strong vision about the role of technology in society. That may reassure investors, who have sound reasons to seek an infusion of new blood. India's technology firms seem to be maturing, with a combination of fierce competition and rising wage costs putting pressure on profits. Infosys expects its earnings per share to grow by just 8-10% in dollar terms this financial year, far below the growth rates it once achieved (see chart).

In that respect, just as Infosys's rise symbolised India's industrial renaissance, so its growing pains are symptomatic of a common new ailment. After the boom of recent years, most of the country's big firms are far more demanding to run than they were. Yet several state-backed firms are currently without permanent chiefs, and many private ones have veteran bosses who may soon retire. No company exemplifies this more than the Tata group, which seems to be struggling to find a successor to Ratan Tata and may yet select a member of his family.

Other giants without a strong family influence, including Larsen & Toubro, a big engineering concern, and ITC, a cigarettes-to-greeting-cards conglomerate, must also ponder replacements for their chairmen and, perhaps, spruce up their boards. An obvious option is to bring in independent heavyweights with successful careers at other firms. Such individuals are in short supply, however. Deepak Parekh, whose main job is chairing HDFC, a big mortgage-finance firm, also heads the boards of no fewer than four other firms and is a director of 12 more. Even by the standards of Indian executives, he's pretty busy.

Barack Obama and business

Forest firing

The government seeks to sack an innocent boss

LAST year Howard Solomon, chief executive of Forest Laboratories, declared the end of an ordeal. After a long battle, the drug company agreed to settle charges of illegal marketing and distribution. But last month Forest got a surprise: a notice from America's health department saying that it planned to bar Mr Solomon from doing business with federal health programmes such as Medicare. Unless he resigns, Forest would be barred too. As *The Economist* went to press Mr Solomon was planning a vigorous defence. Forest is burning with outrage. Other executives are shuddering.

For years government officials have struggled with a question: if a company does something wrong, who should be held accountable? This concern has become more urgent since the financial crisis, since so many financial firms did so much wrong in such complicated ways. But the question is particularly thorny for drug companies, which are often big, decentralised and vulnerable to lawsuits. Companies are used to being penalised-in 2009 the Justice Department wrung $3.7 billion in settlements from Eli Lilly and Pfizer for marketing drugs in improper ways. But the government is increasingly trying to punish individuals for the actions of their firms. It is a worrying shift.

Some conservatives say it proves that Barack Obama likes bossing businesses around. But the action against Forest is part of a trend that predates Mr Obama's presidency. In 2007 prosecutors won guilty pleas from three serving and former executives of Purdue Pharma, a drug firm, over the misbranding of OxyContin, a painkiller. The men pleaded guilty to misdemeanour charges, though they said they were unaware of the misconduct that occurred on their watch.

The recent actions of the health department go further. The Office of Inspector General (OIG) has long barred people convicted of certain offences from doing business with Medicare and Medicaid, along with doctors and nurses who lose their licences. But in October the OIG announced that it would increasingly bar executives in charge of firms that have been convicted of wrongdoing, even if they personally did nothing wrong. Law firms penned frenzied warnings to their clients. Mr Solomon would be the first executive to be targeted without any sign of personal misconduct. In a statement Forest called the move "unwarranted and unprecedented".

Lewis Morris, the OIG's chief counsel, insists that the office must be aggressive. In March he told Congress that corporate settlements do too little to deter fraud-cash fines, he claimed, have become a mere "cost of doing business". It is unclear whether the OIG may now apply its power retroactively, taking down executives at firms that have had problems in the past. It may also use its power in new ways-last year Mr Morris said that he might use the threat of exclusion to force companies to get rid of products which they have marketed improperly.

The OIG may be rebuffed in court. Mr Solomon appeared to be an easy target (he is 83 and looked likely to retire soon anyway) but he plans to fight back ferociously. The health department's actions may change the culture in drug firms-and not for the better. The Forest case suggests that any executive could be punished for anything that occurs in a sprawling multinational company-a terrifying prospect, explains Paul Kalb, a lawyer at Sidley Austin who has defended pharmaceutical companies. Mr Solomon's punishment is intended to deter corporate misconduct. It may simply deter clever people from becoming drug executives.

Management

What do bosses do all day?

The shocking truth can at last be revealed



Gotta hone those networking skills

THANKS to closed doors and fierce gatekeepers, bosses are tricky to observe in their natural habitat. Yet it might be useful to know what they do all day, and whether any of it benefits shareholders. A new Harvard Business School working paper sheds some light.*

Researchers asked the chief executives of 94 Italian firms to have their assistants record their activities for a week. You may take this with a grain of salt. Is the boss's assistant a neutral observer? If the boss spends his lunch hour boozing, or in a motel with his assistant, will she record this truthfully? Nonetheless, here are the results.

The average Italian boss works for 48 hours a week and spends 60% of that time in meetings. The most diligent put in another 20 hours. And the longer they work, the better the company does.

Less diligent chief executives are more likely to have one-to-one meetings with people from outside the company. The authors speculate that such people are trying to raise their own profile, perhaps to secure a better job. Bosses who work longer hours, by contrast, spend more of them meeting their own employees.

Bosses often complain that they get bogged down in day-to-day operations, says Rajesh Chandy, a professor at the London Business School. Regulations that make them legally responsible for their underlings' wrongdoings are partly to blame. The prospect of jail is a powerful attention-grabber. Many bosses also feel they must dash around the world pitching to clients. Jim Hagemann Snabe, co-chief executive of SAP, a software firm, reckons that he met over 200 last year. Mr Chandy thinks bosses should spend less time with clients and more time thinking about the future.

How much time they spend thinking about anything is hard to measure. But in an experiment, Mr Chandy measured how often bosses use forward-looking words like "will" and "shall" in their public statements. He concluded that bosses spend only 3-4% of their day thinking about long-term strategy.

Brian Sullivan, the chief executive of CTPartners, a headhunting firm, says the most difficult part of his job is saying no to people who want a piece of his time. "If it was up to our partners I would be at every pitch," he says. Mr Sullivan says the

only time he gets for blue-sky thinking is when he is in the sky. "Chief executives will rue the day when BlackBerrys work on planes," he predicts.

Bill Gates took regular "think weeks", when he would sit alone in a cabin for 18 hours a day reading and contemplating. This, it is said, led to such strategic masterstrokes as "the internet tidal wave memo" in 1995, which shifted Microsoft's focus (some say belatedly) to the web. But not every boss thinks he needs more time for thinking. "You can hire McKinsey to do that for you," says one.

* Oriana Bandiera, Luigi Guiso, Andrea Prat and Raffaella Sadun, "What Do CEOs Do?" Harvard Business School Working Paper 11-081.

Index | Business

Schumpeter

Bamboo innovation

Beware of judging China's innovation engine by the standards of Silicon Valley



CHINA'S continued economic progress depends on mastering the art of mould-breaking innovation. President Hu Jintao intones that the "capacity for independent innovation" is the "core of our national development strategy". Sceptics agree with his premise, but scoff that innovation and autocracy do not mix. So long as China remains a dictatorship, it will be trapped in a world of mass production and routine assembly, they say. One scholar, Cong Cao, argues that the country faces a future of "premature senility".

China has invested heavily in homegrown innovation. The government has not only persuaded Microsoft and Google to establish research centres in China. It has also set up science parks across the country, in the hope of creating a Chinese Silicon Valley. Beijing's Zhongguancun Science Park alone is home to thousands of high-tech enterprises. Chinese universities are joining the charge. Peking University, for example, has established "innovation and entrepreneurship" programmes.

So far, however, China has little to show for all this investment in mould-breaking. The most successful Chinese companies, such as Lenovo and Baidu, produce low-cost versions of Western products or adapt Western innovations to the Chinese market. Chinese venture capitalists invest in established industries, such as hotels and agriculture, or in copycat technologies. Multinational managers grumble privately that China's "research and development" projects involve

far more development than research. And the government's vast investment in innovation is more than offset by its failures. Squabbles over standards discourage companies from placing long-term bets. Lax intellectual-property rights penalise cutting-edge research. The power of the state prompts firms to spend more time grovelling to politicians than grappling with original thoughts.

Yet China's lack of originality matters less than you may think, believe Dan Breznitz and Michael Murphree of the Georgia Institute of Technology. In a new book, "Run of the Red Queen", they argue that it is wrong to equate innovation solely with the invention of breakthrough products. In an emerging economy, other forms of innovation can yield bigger dividends. One is "process innovation": the relentless improvement of factories and distribution systems. Another is "product innovation": the adaptation of existing goods to China's unique requirements.

This is particularly true in an era of globalisation. Some claims about the borderless world may be exaggerated, but there is no doubt that firms increasingly disperse production to wherever it can be done most efficiently. If China is the world's most efficient workshop, perhaps it does not also need to be the world's most cutting-edge laboratory.

But wait, says nearly everyone, won't cheaper hands in Indonesia and Vietnam eventually take China's jobs? Not necessarily. Messrs Breznitz and Murphree argue that Chinese companies have become world leaders in everything from mass production to logistics. Huawei, which makes telecoms gear, is a master of recombining existing technologies and bringing them to market at lightning speed. Foxconn, headquartered in Taiwan, produces iPads and other gizmos efficiently in China because of the country's huge labour pool (it employs 270,000 people at its factory complex in Shenzhen) and its mastery of flexible production. China's universities churn out legions of science and technology graduates who specialise in subjects that have almost been forgotten in the West, such as mining or heavy engineering. The Pearl River delta is packed with small firms that dominate tiny market niches.

They also point out that China's sheer size will protect it from the commodity trap. No one can outdo Chinese companies when it comes to adapting advanced technologies to the purses and preferences of 1.3 billion Chinese consumers. Lenovo has mastered the art of selling cheap computers to people with not many yuan to spare. Baidu has learned how to provide the internet with Chinese characteristics. Its web page looks remarkably like Google's, but Baidu has outdone Google when it comes to dealing with the country's peculiarities. In other words, China is ideally placed to be the world's middleman: close enough to the frontier of innovation to keep up with the latest developments, and skilled at adapting new ideas for the mass market.

The Middle Kingdom as middleman

Yet for all their bullishness, Messrs Breznitz and Murphree detect two possible snags. The first is the Chinese regime's obsession with "independent innovation". This is leading it to pour resources into dubious innovation champions while at the same time strewing obstacles in the path of the vast majority of private-sector companies. The second is the difficulties of being a middleman. Middlemen bear huge risks. If a high-end innovator stumbles, China may find that its huge factories and lean distribution channels have nothing to make or ship. Also, middlemen can be cut out. When multinationals tire of having their ideas stolen in China, many build their R&D facilities elsewhere.

The biggest threat to the Chinese model comes from a country that, strangely, is barely mentioned in this book. India combines many of China's advantages, such as its size and cheap labour, with a democratic political system and an Anglo-Saxon legal code. India has outperformed China when it comes to applying mass-production techniques to IT services. It is also proving more imaginative than China when it comes to radically redesigning products for the mass market. Nonetheless, "Run of the Red Queen" is an important book. It should make both Chinese bureaucrats and Western pundits think twice before pronouncing on China's "innovation deficit".

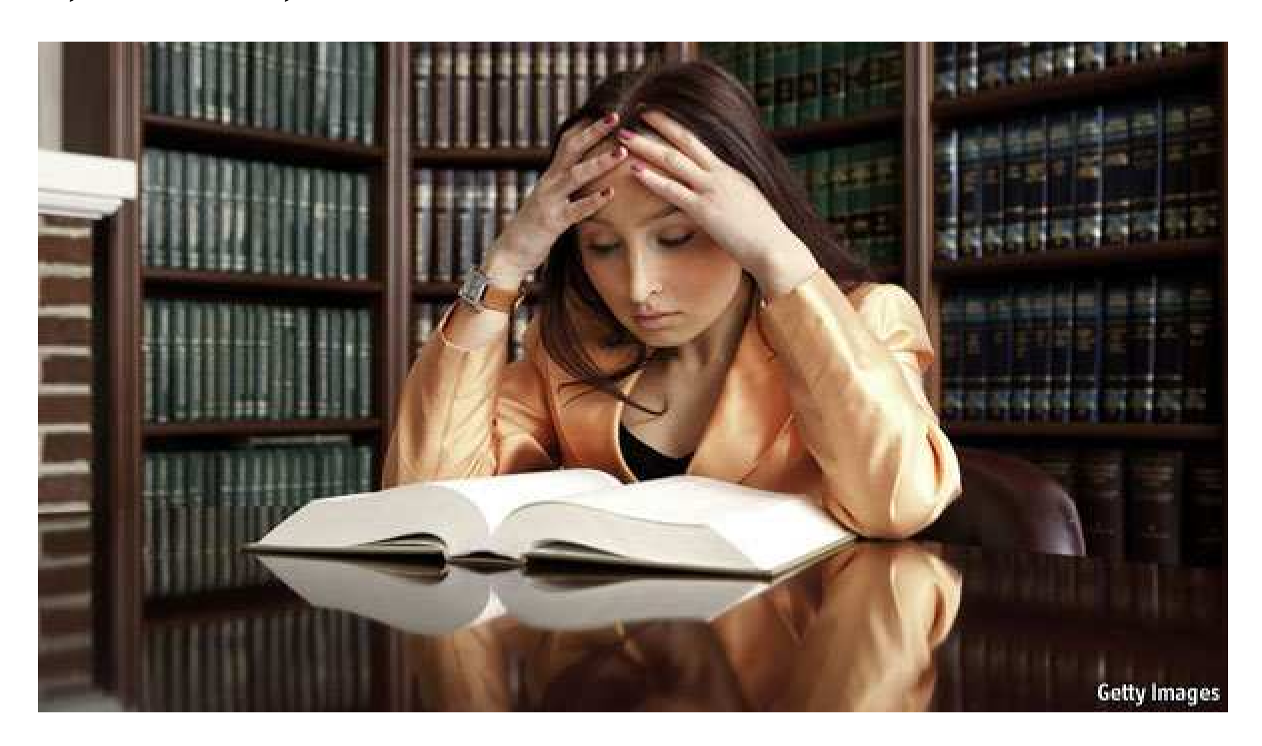
Economist.com/blogs/schumpeter

Index | Briefing

Law firms

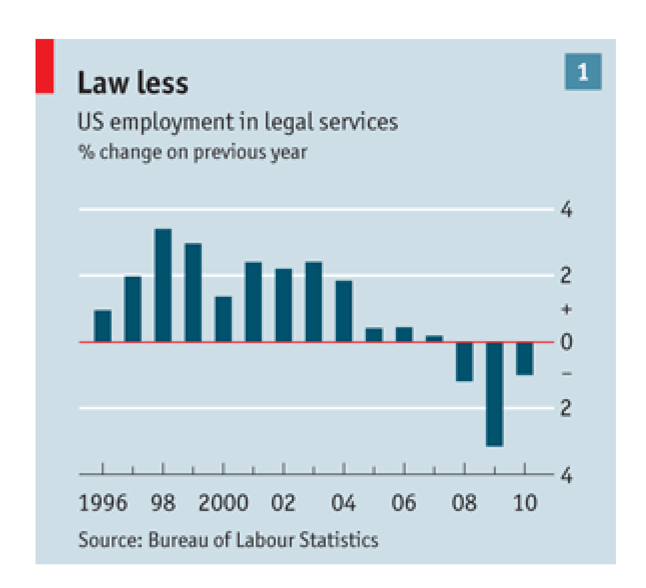
A less gilded future

The legal business has undergone not only recession but also structural change. Ever-growing profits are no longer guaranteed. Nor, for some firms, is survival



TWO years ago Howrey was one of the world's 100 biggest law firms by revenue, with nearly 700 lawyers in eight countries. Profits exceeded $1m per partner. The American firm, which specialised in intellectual-property suits, had had several spectacular years in a row. But in 2009 profits were much less than expected and angry partners began to leave. Defections continued during the recession. After failed merger talks, Howrey shut its doors this March.

Though Howrey was the only big firm to collapse, the forces that destroyed it hit the whole profession hard. Work on mergers and acquisitions (M&A) dried up and nothing similarly profitable took its place (bankruptcy, securities litigation and regulation were rare bright spots). Clients became keener to query their bills-and to demand alternatives to the convention of charging by the hour, such as flat, capped or contingent fees. Small and innovative firms began obliging them, and big firms increasingly felt forced to follow suit.



All this took a toll on the labour market. After a dozen years of growth, employment in America's law industry, the world's biggest, has declined for the past three years (see chart 1). The 250 biggest firms, according to an annual survey by the *National Law Journal*, shed more than 9,500 lawyers in 2009 and 2010, nearly 8% of the total. Many also deferred hiring, leaving new graduates in a glutted market. Legal-process outsourcing firms, which do not advise clients but do routine work such as reviewing documents, put further downward pressure on the demand for their talents. The pain was felt in Britain, easily the biggest legal market after America, and other countries too.

Lawyers would like to believe that the worst is over and that no more of them will suffer Howrey's fate. Work on M&A and initial public offerings has recovered from dismal levels. And according to *American Lawyer*, profit per partner at America's 100 biggest firms rose by 8.4% last year, having fallen by 4.3% in 2008 and gone up by a measly 0.3% in 2009.

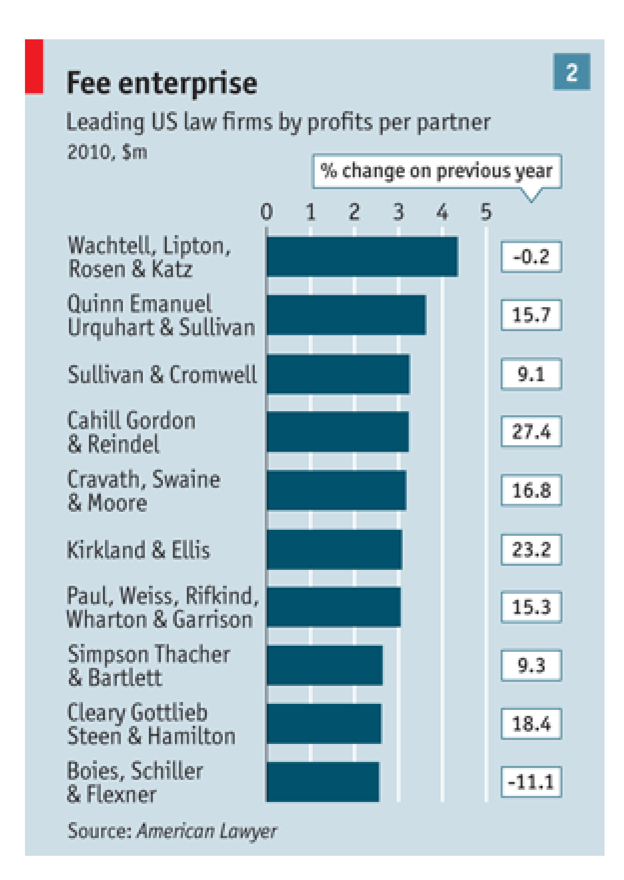
But not all the trends that have hit the legal industry are cyclical. Some are here to stay even as the economy recovers. One is clients' determination to keep their bills down. Feeling that they had overpaid vastly for the work of green trainees, they began refusing to have routine work billed to first- and second-year associates (ie, lawyers who are not yet partners). They see no reason to stand for it again. And alternative fee arrangements continue to grow in importance, albeit slowly: they accounted for 16% of big firms' revenue in 2010.

A second trend is globalisation, which the law is experiencing later than other industries. For lawyers, it holds both promise and peril. Booming emerging markets, especially in Asia, are leading New York and London firms to extend their reach. But the growth of outsourcing to places like India is not lost on money-conscious clients, some of whom are demanding that their lawyers pass certain routine work to cheaper contractors.

A third trend is the growth of technology in an industry long synonymous with trained human judgment. Software that can perform tasks like "e-discovery", sorting through e-mails and other digital records for evidence, is saving firms money. It has also made it harder to sustain a business model in which partners sit atop a pyramid with a fat base of associates who carry out expensively billed work, some of which is routine and repetitive.

Trends that were not part of the recession will not disappear with the recovery. Some will even strengthen. William Henderson of Indiana University points out just how good and how long a run lawyers had. Spending on legal services grew from 0.4% of America's GDP in 1978 to 1.8% in 2003. The legal business grew four times faster than the economy. Now, Mr Henderson says, a "hundred-year flood" is hitting the profession. Job growth had begun well before 2008, he points out, so that the labour market was already out of balance when recession struck. Not all firms will survive, and those that do will not all prosper equally.

Howrey's boss, Robert Ruyak, blamed two new trends for his firm's demise. Howrey had begun acceding to clients' demands for flat, deferred or contingent fees, causing income to become clumpy and unpredictable. And the rise of specialised e-discovery vendors hollowed out another source of revenue.



What kind of firm is likely to thrive in the environment in which Howrey failed? On one answer, many experts agree: a group of elite New York-based firms that cover a wide spectrum of legal work. These include Davis Polk & Wardwell; Sullivan & Cromwell; Cleary Gottlieb Steen & Hamilton; and Simpson Thacher & Bartlett. Though associated with Wall Street, they have become internationalised, through longish histories in Europe and recent moves into Asia and Latin America. That said, they don't try to be everywhere, covering mainly the leading financial centres. Nor do they try to do

everything, but offer the range of services on which their New York businesses were built: M&A, finance, white-collar defence and so forth. Sullivan & Cromwell is one of seven firms in *American Lawyer*'s list whose profits per partner top $3m (see chart 2).

Another bunch likely to do well are tightly focused firms that concentrate on only a few fields. Some ("monolines") specialise in only one. They typically do not try to span the globe, but their work is so good that clients will keep paying handsomely for it. Wachtell Lipton, for example, is a New York firm focused on M&A. It is also the world's most profitable, with profits per partner of $4.3m last year. Cravath, Swaine & Moore, also known mainly for M&A, joined the $3m club in 2010 after profit per partner went up by one-sixth. Outside America, this group is represented by Slaughter and May, one of the "magic circle" of five London firms that compete with the leading American outfits. Rather than setting up shop abroad such firms build partnerships with local leaders, such as France's Bredin Prat or Spain's Uria Menendez, to gain reach without establishing their own offices and hiring staff.

Cravath and Wachtell have boosted profits in the past two years without shedding any lawyers. Many other firms in *American Lawyer*'s top 100, lacking their pricing power, maintained profits only by cutting headcount. Even equity partners have not been spared. Firms cut 0.7% of them in 2009 and 0.9% last year.

Anything, anywhere

If revenue is not growing as quickly as it used to, more firms must not only employ fewer lawyers but also compete for market share as never before. With the American market hardly booming, a third class of firms has rushed to expand globally. These are big and well-known, but do not have the glittering reputations of the first two groups. Their promise is that wherever clients want to do business, they will deal with a seamless entity. Jones Day, which began in the American Midwest and is now in 19 countries, exemplifies the type with its slogan, "One Firm, Worldwide". DLA Piper, product of a three-way Anglo-American merger (and technically a "verein", an association of partnerships under Swiss law) aims to offer global clients a complete service while keeping prices down by working out of cheaper cities.

Baker & McKenzie, another verein, has the longest history of globalisation of any big firm. It was in Latin America as long ago as the 1950s and in mainland China in 1993. It is also the world's biggest firm by revenue, pulling in $2.1 billion in 2010, half of it from clients that use the firm in ten or more places. Baker & McKenzie likes to call itself "global", not "international", meaning it is not a firm that has simply grown out from New York or London. Its new boss, Eduardo Leite, a Brazilian, is the first person from one of the BRIC economies (Brazil, Russia, India, China) to lead such a big firm. But continuity worldwide remains a priority: Mr Leite says that the firm works constantly to co-ordinate its efforts, with regional and national managing partners regularly travelling to audit each other's work for quality, for example.

If groups like Baker & McKenzie and lower-cost DLA Piper are doing well, offering anything, anywhere has pitfalls for more expensive integrated firms with a global spread such as Allen & Overy and Clifford Chance, both based in London. During the recession they had to lay off some partners, cut the equity shares of others and thin their layers of junior lawyers. Some pin Howrey's demise on its rush to spend on foreign offices while betting heavily on antitrust law just as M&A was falling off a cliff. There is money in globalising, but not enough for everyone.



Sound career advice

In addition, some countries protect their turf. It is virtually impossible for a foreigner to practise Indian law. Only locals can practise Chinese law. Although flotations and cross-border mergers involving Chinese companies have been good to many firms, the mass rush into China has led to competition on prices. Chinese clients are even more accustomed than American ones to asking for alternatives to the lucrative billable hour. And local firms are becoming more sophisticated. There is no reason to expect they will yield business tamely. Brazil presents similar obstacles to foreign lawyers.

Ultimately, lawyering is becoming more of a business than a profession. Some lawyers decry this. Others welcome it. Few deny it. Because the American market cannot grow as it used to, firms will have to find new strategies and make use of sophisticated branding to stand out.

Mr Leite suggests one way lawyers can guarantee themselves work: by becoming experts in other industries, not just areas of legal practice. Young lawyers can learn from being seconded to clients. And American law schools are slowly trying to instil some business acumen into future lawyers, though in Europe and elsewhere law remains distressingly academic.

Another much-discussed solution for teaching lawyers to be businesspeople is the creation of all-in-one professional-service firms, combining lawyers, management consultants and accountants. But this looks unlikely to succeed for many; the three professions are simply too different in their traditions, training and incentives. A liberalisation of the legal market in England and Wales will allow more non-lawyers to own parts of firms or offer certain services, but at first this is likely to affect mainly the cheaper end of the market, not the richest pickings of corporate work.

Many bosses of law firms realise that the profession is changing in ways that will be uncomfortable for some. They are adjusting to this, but Howrey's fall shows just how fragile even a 55-year-old firm can be. Since a firm's only real assets are its partners, when a few departures turn into an exodus, the end can be shockingly quick.

Index | Finance and Economics

Latin America's housing boom

It's not all froth

Big price hikes at the top end reflect a new, richer reality



DINNER-PARTY conversations about house prices, newspapers packed with ads for glitzy show-homes and properties changing hands for twice their price three years ago: recently Brazil's business capital, Sao Paulo, has felt a lot like pre-bust London or New York. The property fever there and in other Latin American countries makes some fear that the region's economic renaissance may have become over-exuberant. But the housing boom is grounded in rising prosperity rather than excessive debt.

In select parts of Brazil's big cities, property prices are certainly racing ahead. IBOPE Inteligencia, a research firm pioneering the country's first statistically sound house-price index, says that in 2010 the average price of a new apartment in Sao Paulo rose by around a quarter and by much more in the poshest areas. Estate agents claim prices in such choice locations are up by 80% in three years; and that in similar parts of Rio de Janeiro, boosted by the discovery of huge oil reserves off the coast and the prospect of hosting the Olympics in 2016, they have doubled.

The property boom is being driven by a hefty increase in the number of potential buyers. During the past eight years the number of Brazilian households with incomes higher than ten times the minimum wage rose by more than half, to around 18m. The purchasing power of the newly well-off has been boosted further by greater availability of mortgages.

Until recently rules that made foreclosure difficult or impossible when a mortgage-holder was in arrears meant that lending against property was unattractive. Most homes were self-built or bought with cash. In 2005 outstanding mortgage debt was a mere 1.4% of GDP. But that year saw legal changes which meant lenders could remain the owner of a property until after the final payment, making foreclosure more straightforward. The total of outstanding loans secured on property is fast approaching 5% of GDP-still tiny, but a trebling in just five years.

Supply constraints, in particular the shortage of land in the economic hotspots, are pushing up high-end prices too. Cushman and Wakefield, a real-estate consultancy, says office rents in Rio de Janeiro are now the highest in the Americas, as businesses scramble to open in what will soon be the hub of one of the world's big oil economies. Their employees need somewhere to live-but the desirable areas of the city are ringed on one side by mountains and on the other by sea. In featureless, sprawling Sao Paulo it is chaotic traffic, not geography, that pushes the city's growing number of super-rich to chase central locations. Unsurprisingly, the best spots are ever more expensive.

The prices of other inputs are also rising. The government's ambitious low-income housing project, Minha Casa, Minha Vida (My House, My Life), will provide finance for a million homes, and is mopping up a big part of the construction labour force and pushing up wages. Grand infrastructure projects, such as ports and railways in the country's north, compete for everything from crane operators to cement and steel. The official construction-price index is running ahead of general inflation, and the gap is widening.

Brazil is not the only Latin American country displaying signs of property exuberance. A further example is Peru, another relatively recent victor against hyperinflation and winner from the commodity boom. Estate agents in Lima, its capital city, say that homes in the swishest seaside neighbourhoods have recently doubled in value and that the cost of building plots has trebled. Colombia and Panama look frothy, too.

The dreadful example from elsewhere of what can happen next has led some to fear a Latin American housing bust. But-for now, at least-the new, higher values look firm. For one thing, they are in the main restricted to hotspots: the best areas in the biggest cities of the boomiest economies, or close to mega-developments. According to Antonio Ruotolo of IBOPE Inteligencia, Recife, in Brazil's long-poor north-east, may have seen the country's steepest price rises. The reason is the $16 billion being spent on Suape port, just down the coast, which will include an oil refinery, petrochemical factories and much else besides, and is bringing tens of thousands of people to the area. Likewise, Panama's effervescence follows from the redevelopment of its canal.

In any case, the headiest days are probably already over, says Guilherme Vilazante of Barclays Capital. The 2008 credit crunch saw many developers stop buying land and halt projects, which they restarted in late 2009. It was that hiccup that led to the big price increases of the last two years-but plenty of postponed developments are about to hit the market. Soon, he thinks, high-end housing will be gaining value at a rate closer to that of housing aimed at lower-income groups, roughly in line with the cost of construction.

Even a big drop in prices would not have the same knock-on effect in Latin America as it did in the United States. Mortgage origination is growing fast-by around 50% a year in Peru and by even more in Brazil. But the total stock of mortgages is very low: Chile has the region's best developed mortgage market, at some 20% of GDP. The United States, by contrast, went into the credit crunch with mortgages on two-thirds of all homes and total housing-finance debt of $10.6 trillion, or 72% of GDP. Underwriting practices in the region are conservative: loan-to-value ratios are typically less than 80%. Brazilians cannot get mortgages on second homes.

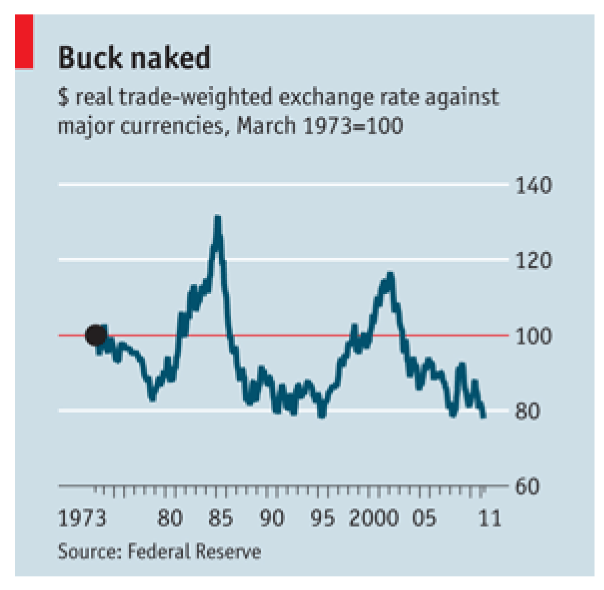
Beneath the froth of the luxury market, the Latin American reality is a long-standing shortage of property. Peru has a housing deficit of around 900,000; estimates for Brazil's vary from 5m to 7m. Many governments in the region are chipping away at the problem by offering subsidised housing loans to the lowest-paid. But the market impact is limited by tight government budgets. Arguably the recent price rises at the top end are simply a correction after many years in which quality housing could be picked up cheaply by the few people in the region able to pay in cash. Now they are facing competition.

Buttonwood

Good losers

The "strong dollar" policy means little in practice

"THE BIGGEST LOSER" is a reality-TV format, broadcast round the world, that encourages gravitationally challenged contestants to reduce their weight. Perhaps the title should go to any viewer sad enough to sit through a series.



The leading currencies of the developed world-the dollar, euro, yen and pound-seem to be undertaking their own version of the show. There are good reasons for despising each of them.

In recent months, however, it is the dollar that has suffered the most. As the chart shows, on a real trade-weighted basis it is now close to its lowest level in the post-Bretton Woods era of floating exchange rates. And this weakness has occurred even though the dollar's greatest rival, the euro, is ensnared in a sovereign-debt crisis.

By and large, foreign-exchange movements seem to be driven by four key factors: yield differentials, relative inflation rates, trade flows and growth prospects. Yield has probably been the dominant influence of the past decade, particularly in the form of the "carry trade", which involves investors borrowing money in the currency with the lowest interest rate and depositing it at a higher rate elsewhere. In the early 1980s the dollar was buoyed by relatively high interest rates in America as Paul Volcker attempted to squeeze inflation out of the system.

Yields on all four leading currencies are low: so low, indeed, that carry traders normally back other currencies such as the Australian dollar. But at 1.25%, rates in the euro zone are already the highest of the four. And the European Central Bank has started its tightening cycle whereas the Federal Reserve is promising "exceptionally low" rates for an "extended period". The futures market expects that by June 2012 short-term rates in the euro area will be around 2.5%, compared with just over 1% in America.

As for inflation, a country with a relatively high rate ought to see its currency depreciate, so that its real exchange rate is roughly stable over time. This does tend to happen when inflation rates are very high, as they were in Latin America in the 1980s or Zimbabwe more recently. But the differences between developed-world inflation rates are so small (the same is true of expected rates, measured via the bond market) that this doesn't seem to be a big influence at the moment.

A country with a persistent current-account deficit might be expected to see its currency fall over the long term. That has indeed been America's experience. But it is hard to explain the recent weakness of the dollar in this way, since the deficit is lower than it was three years ago.

Markets are apt to overlook a trade deficit when they are excited by an economy's growth prospects. The dollar's strength in the late 1990s owed much to a belief that a productivity miracle, driven by the internet, had increased America's growth rate: as investors clamoured to get hold of dotcom stocks, portfolio flows drove the greenback higher.

There is nothing like the same excitement today. America's economic growth is still expected to outpace that of Britain, Japan and the euro zone both this year and next, but if its prospects were truly rosy the dollar would be heading higher, not lower.

All of these factors seem to be trumped by the dollar's unique role as the world's reserve currency and provider of the most liquid markets. The former has given America the "exorbitant privilege" of issuing debt at low rates in its own currency to investors like the Chinese central bank who need to hold dollars for reasons of economic policy (see article). The latter means that the dollar is seen as a "safe haven" currency at times of stress even when, as in 2008, the stress was the result of events within America itself. The perverse corollary is that, as sentiment has improved over the past year or so (in part owing to an American rebound), the dollar has retreated.

At what point does the dollar's decline become a crisis? There was co-ordinated intervention to weaken the yen after March's earthquake but that was spurred more by Japanese than American concern. The next alarm might sound if the euro touches its record high of $1.60.

For all the talk of a "strong dollar" policy in Washington, it is hard to imagine the authorities taking any action, such as raising interest rates, with the specific aim of driving the greenback higher on a trade-weighted basis. After all, the boost to exports is rather handy. The Americans are like failed dieters who talk earnestly about their weight-loss programme while holding a chocolate doughnut.

Economist.com/blogs/buttonwood

Index | Finance and Economics

Vietnam's economy

Doing battle against inflation

The government shows new resolution to ease inflationary pressure



TO HONOUR the dead, the Vietnamese sometimes burn fake banknotes, made out of "votive paper", for the deceased to spend on the other side. Vietnam's government recently complained that this votive money looked too similar to the real thing. Unfortunately the resemblance runs deeper than that. Over the past year the value of Vietnam's official currency-the dong-has been steadily going up in smoke.



Consumer prices rose by 17.5% in the year to April, outstripped only in Ethiopia and Venezuela. The dong has been devalued against the dollar six times since June 2008 (see chart). The Vietnamese have flocked to more reliable stores of value. Those hoping to salvage their savings from the ashes can buy 37.5-gram bars of fine gold, embossed with a Phoenix, from the Phu Nhuan Jewelry Store. Above one Hanoi branch, a digital display shows the price: 38,170,000 dong. There is space only for the first five digits.

But Vietnam's government seems newly determined to douse the inflationary fires. On May 4th the country's central bank, the State Bank of Vietnam, raised one of its key rates to 14%, the latest in a flurry of increases since February. Its

campaign was accompanied by a package of commitments to tighten money and credit, cut the budget deficit and rein in the country's state-owned enterprises.

Known as Resolution 11, this package is meant to show that the government is no longer torn between fighting inflation and fanning the recovery. The phrase "economic growth" did not appear in the decree. At the annual meetings of the Asian Development Bank (ADB) this week in Hanoi, Vo Hong Phuc, the Minister of Planning and Investment, conceded that Vietnam might fall short of its official growth target of between 7% and 7.5%. At the same event, Nguyen Van Giau, the central-bank governor, said the cabinet was showing "strong commitment and determination" to pursue Resolution 11. That is just as well, because the governor is himself a member of the cabinet, without the independence central bankers enjoy elsewhere.

The resolution obliges him to curb private credit, which has surpassed 120% of GDP, up from less than 40% in 2001. By this measure Vietnam is the "world record-holder for debt creation", according to Jonathan Anderson of UBS, although bank deposits have largely kept pace with the expansion of loans.

The central bank is also fighting the creeping dollarisation and even "goldisation" of the economy. In Vietnam, despite its capital controls, holders of dong find it unusually easy to switch to hard currency or soft metal. The country is home to a large stock of dollars, many of them remitted by migrant workers, and a sizeable stock of gold. Vietnam's banks offer dollar deposits and in Ho Chi Minh City, DongA bank has even installed an ATM that dispenses gold bars.

In April, the government capped the interest rates offered on dollar deposits at 3%, compared with rates as high as 14% on dong accounts. It has also clamped down on the grey-market trade in bullion. Even DongA bank is no longer keen to talk about its gold ATM.

As well as restoring faith in the dong, the government must restore sanity to the public finances. In Resolution 11, it promised to prune public investment, which amounted to 17% of GDP in 2009. There are grave doubts about the efficiency of this spending. Last year Vinashin, a vast, government-owned shipbuilding group, almost sank, after straying far from its core business.

Only if the big programme of public investment bears fruit can Vietnam hope to grow sustainably at 7-8% in the future without suffering the inflationary pressures of recent years. That pressure will continue to rise over the next few months. The government has raised fuel and electricity prices, and its recent tightening will take time to work. "You don't see the result overnight," says Ayumi Konishi of the ADB. But the imminent spring harvest should lower rice prices, kept high by farmers hoarding rather than selling their grain. Bags of rice, not bars of gold, are the poor man's hedge against inflation.

Index | Finance and Economics

Mortgage lawsuits

Skeletons in the closet

America charges Germany's biggest bank with fraud

WHEN Deutsche Bank bought MortgageIT in January 2007, an executive purred that the American lender would help to provide "a steady source of product for distribution into mortgage capital markets." Today the acquisition looks more like a public-relations embarrassment and a potential legal liability. In a civil-fraud lawsuit, the Justice Department has accused the two firms of repeatedly lying between 1999 and 2009 about the quality of mortgages they selected for inclusion in a government insurance programme.

As a participating lender, MortgageIT was allowed to get suitable loans backed by the Federal Housing Administration (FHA), a government agency. Though the firm (and later Deutsche) certified annually that its mortgages were worthy of the insurance, the suit alleges that its quality-control process was almost non-existent. One lonely employee was charged with auditing loans for compliance, and by the end of 2007 even he had been taken off the job to help with mortgage

production. The firm ignored repeated requests to mend its ways. The findings of an external auditor hired by the firm were "stuffed in a closet and left unread and unopened".

Deutsche has vowed to fight, calling the allegations "unreasonable and unfair" (while also pointing out that nearly 90% of the alleged abuses took place before it purchased MortgageIT). Others suggest that the government deserves some of the blame for the mess by designing a scheme that relied so heavily on others to conduct due diligence.

Not in doubt, however, is the dreadful quality of the loans in question. Of the 39,000 endorsed by MortgageIT and Deutsche by February, more than 12,500 had defaulted, a quarter of those within six months of signing. The suit describes numerous instances of what looks like brazen borrower fraud, including the listing on loan applications of fictitious employers. The FHA has already paid $386m in related insurance claims, with "hundreds of millions" more expected. It is seeking treble damages under the False Claims Act, meaning that Deutsche could be on the hook for more than $1 billion.

A bank of its size could comfortably absorb such a hit. But Deutsche may face further headaches. It was an eager seller of mortgage securities during the boom, even as its traders were betting on a market slump, fuelling the same allegations of duplicity that Goldman Sachs has faced. Deutsche and Goldman receive special attention in a recent Senate report into Wall Street's conflicts of interest, which is now being pored over by the Justice Department and securities regulators.

Prosecutors have not found it easy to assemble mortgage-fraud cases, but they are working hard to bring more. Having forced Goldman to settle for $550m over its marketing of collateralised-debt obligations-particularly noxious structured securities-the Securities and Exchange Commission is reportedly close to bringing several other large banks and securities firms to the table. Depending on how it goes, the Deutsche suit could open another front for prosecutors. MortgageIT was a minnow compared with the leading purveyors of FHA-insured loans (the biggest of which was that standard-bearer of egregiousness, Countrywide). It is unlikely to have been alone in sacrificing quality for volume.

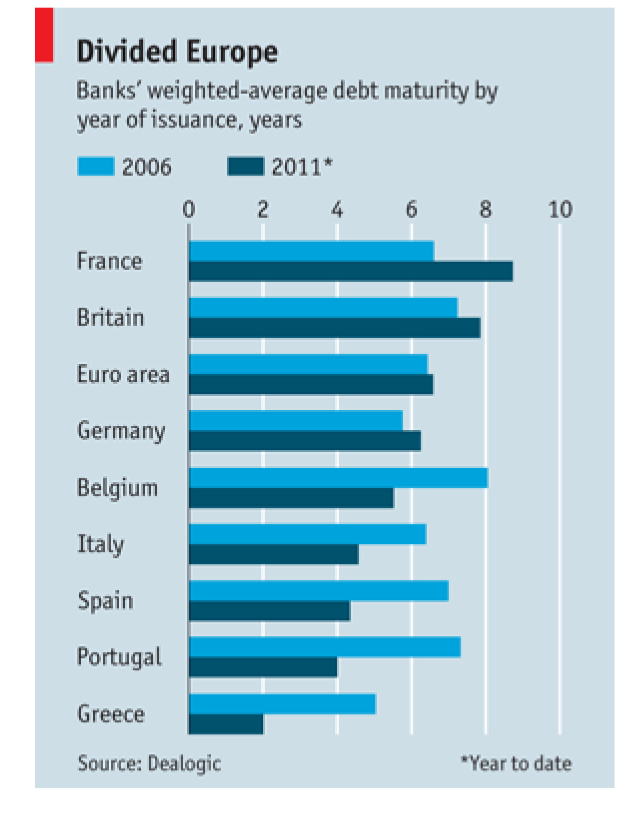
Index | Finance and Economics

European banks

Cutting it fine

Banks in parts of Europe are relying more on short-term funding

ONE of the clearest lessons of the financial crisis was how vulnerable banks, good as well as bad, can be if short-term funding markets dry up. The obvious remedy is to lengthen their financing, and regulators have been reading the riot act to get them to do this. But in some European countries banks have been doing the opposite and shortening the duration of their debts. This has left them perilously exposed to another sudden drought.



The sovereign-debt crisis in the euro area is the main villain. Data collected by Dealogic, a data firm, show that across the single-currency zone average maturities of bank debt issued so far this year are a bit longer compared with 2006, before the financial crisis started (see chart). But this masks a divide between the weak and the strong. In France and Germany, banks have been able to issue debt with longer maturity than before the crisis. But in fiscally troubled countries like Greece and Portugal, which are having to be rescued with official bail-outs, bank-debt maturities have shortened dramatically.

Worryingly, banks elsewhere in the euro area are also having a hard time. In Spain, for instance, they have found it easier to get funding through centralised clearing houses than by issuing bonds directly to the markets. In Italy banks are still able to sell bonds and have high levels of customer deposits in relation to their loans. But as investors have demanded higher yields on government bonds this has spilled over into higher funding costs for banks, too. Typically, they are now paying 1-1.5 percentage points more in interest when selling bonds than banks from countries such as France or Germany. That is tempting them to tap cheaper, if less stable, interbank markets.

Banks across Europe are trying to adapt to these stresses in bond markets. Many are issuing covered bonds, seen by investors as safer because they are backed by mortgages or loans to local governments. Yet yields on these have risen, too. Banks are also competing fiercely for deposits. But this also comes at a price as they have to offer higher interest rates to savers. In Spain the hunger for deposits is so intense that the central bank worries that interest rates on them may have risen to a point where they threaten the profitability of the banking system.

There are some bright spots both within and outside the euro area. In France banks have strengthened their funding. In Germany deposits account for a greater share of bank funds than a year ago. Banks in Britain have had some success in reducing their reliance on short-term wholesale funding by issuing long-term bonds and asset-backed securities.

Despite these glimmers of hope, bank-funding stresses in Europe may intensify over the next few years. The longer that banks find it hard to sell longer-term bonds, the bigger the rump of debt that needs to be refinanced will grow. Moreover, Basel 3, a set of rules on capital and liquidity that aim to make banking safer, will force banks to have more long-term debt than now. McKinsey, a management consultancy, reckons that banks will have to sell some euro2.3 trillion ($3.4 trillion) worth of long-term bonds to comply.

Even as new regulations increase the supply of longer-dated bank debt, others may suppress investors' appetite for it. Insurers, the biggest holders of European bank debt, may be dissuaded from holding longer-term corporate bonds by new solvency rules forcing them to set aside twice as much capital on a ten-year bond as a five-year one. Another reason why investors may prove coy is the new resolution regimes for banks. Regulators are trying to ensure that bondholders share in the losses of failing banks before taxpayers are asked to bail them out. Yet this will do little to encourage investors to buy their bonds.

Regulators may want to prevent another financial crisis by lengthening bank funding. But they are finding it much harder than they expected.

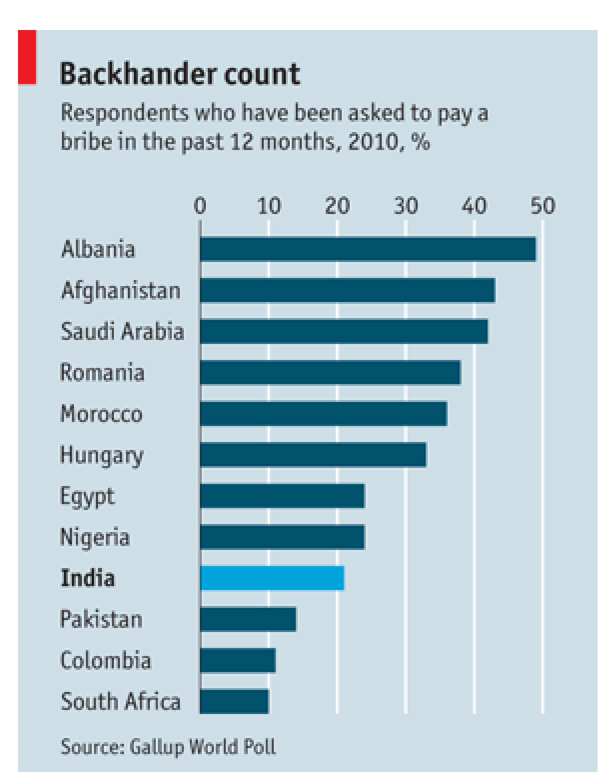
A novel way to combat corruption

Who to punish

India's chief economic adviser wants to legalise some kinds of bribe-giving



CORRUPTION conjures up images of shadowy deals among lobbyists, corporations and crooked government officials. But it is often more mundane, as officials demand bribes even to deliver routine public services. Figures from Gallup, a pollster, reveal just how widespread such corruption is (see chart).



Economists argue that such small-scale graft does great damage. Official extortion erodes trust. As authorities in countries like Greece are discovering, fighting tax evasion is hard if people have little trust in the honesty of tax officials themselves.

An Indian website, ipaidabribe.com, set up last summer by anti-corruption activists, reveals just how grasping officials can be. It has documented over 8,500 instances of bribery adding up to nearly 375m rupees ($8.4m) in backhanders. These include 100 rupees to get a policeman to register a complaint about a stolen mobile phone and 500 rupees for a clerk to hand over a marriage certificate. The amounts are much larger to facilitate income-tax refunds, where the standard "charge" is 10%; sums between 5,000 and 50,000 rupees change hands.

But such initiatives can do little beyond allowing people to vent their anger about corruption. Kaushik Basu, the chief economic adviser to India's finance ministry, suggests that this may be partly because the law treats both bribe-giving and bribe-taking as crimes. This makes it hard to blow the whistle on corrupt officials, because the bribe-giver has also broken the law. If he complains, he risks prosecution or, more likely, being asked for another bribe by the police. In a provocative paper based on game theory, Mr Basu argues for the legalisation of some kinds of bribe-giving. His proposal has instigated a furious debate in India, with television channels even assembling panels to discuss it.

Some thunder that the economist is condoning corruption. But Mr Basu makes clear that paying an official to bend the rules in one's favour should continue to be illegal. The category of payments he would like to legalise are "harassment bribes", made by a person to get things to which he is legally entitled. In such cases, Mr Basu argues, the giver should be granted immunity from prosecution and a proven complaint should result not only in punishment for the corrupt official but also in a "refund" for the bribe-giver. These steps, he believes, will align the incentives of those asked for bribes and law-enforcement agencies which seek to prosecute corrupt officials by giving their victims the confidence to lodge complaints and encouraging them to hang on to evidence of bribery. Fear of being caught should make officials more wary of asking for bribes in the first place.

This sounds promising in theory. But India's courts are notoriously slow. Jean Dreze, an Indian development economist, reckons that the difficulty of pursuing a legal case against a corrupt official may mean that few will complain. If so, Mr Basu's idea may inadvertently result in an increase in the incidence of corruption. At least some people who would earlier have refused when asked for a bribe, Mr Dreze reckons, would now pay up.

Yet when the bribes are for things that are their due, refusal to pay is unrealistic for most people. The tone of those posting on the bribe-reporting website suggest that people are keen to strike back at corrupt officials. Because Mr Basu's idea should make this easier, it is worth considering. So are steps such as moving more transactions online, to reduce contact with officials. Fighting corruption will need more than one clever idea.

Index | Finance and Economics

The fight for NYSE Euronext

Bare-knuckle bourses

Spurned, NASDAQ and ICE turn hostile

THE gloves are off. Having twice been rebuffed by NYSE Euronext's top brass, who dismissed their offer as "an empty vessel", NASDAQ and the InterContinental Exchange (ICE) have gone hostile in a bid to break up the target's agreed merger with Deutsche Borse. They plan to launch an exchange offer allowing NYSE Euronext's owners to swap their shares for cash and the bidders' equity.

The shareholders face a choice between two starkly different proposals. NASDAQ and ICE would carve up their quarry, with the former getting its equities business and the latter NYSE Liffe, its derivatives arm. The equities bit would be crunched together with NASDAQ's similar operation. The transatlantic deal, by contrast, is all about complementarity. One offers domestic slash-and-burn (strategically unalluring but guaranteed to boost efficiency), the other global vision (more imaginative but reliant on often-elusive "revenue synergies").

The hostile duo has begun lobbying merger arbitrageurs, who buy shares in acquisition targets hoping to profit from the gap between the trading and sale prices. They often play a big role in contested mergers and could exert pressure on NYSE's board to talk to the predators. NASDAQ will stress the savings. These could reach 25% or more of the combined cost base of the equities businesses, reckons Andre Cappon of CBM, a consultancy.

Regulators will like the fact that the deal keeps three global derivatives exchanges (ICE, Deutsche Borse's Eurex and the CME Group). But they may fret that together, NASDAQ and NYSE would enjoy a monopoly in American listings. Moreover, the planned exchange offer has little chance of succeeding without the co-operation of NYSE's board because its corporate charter contains a poison pill: ownership by a single party, or related parties, is limited to 20% unless the board waives this ceiling.

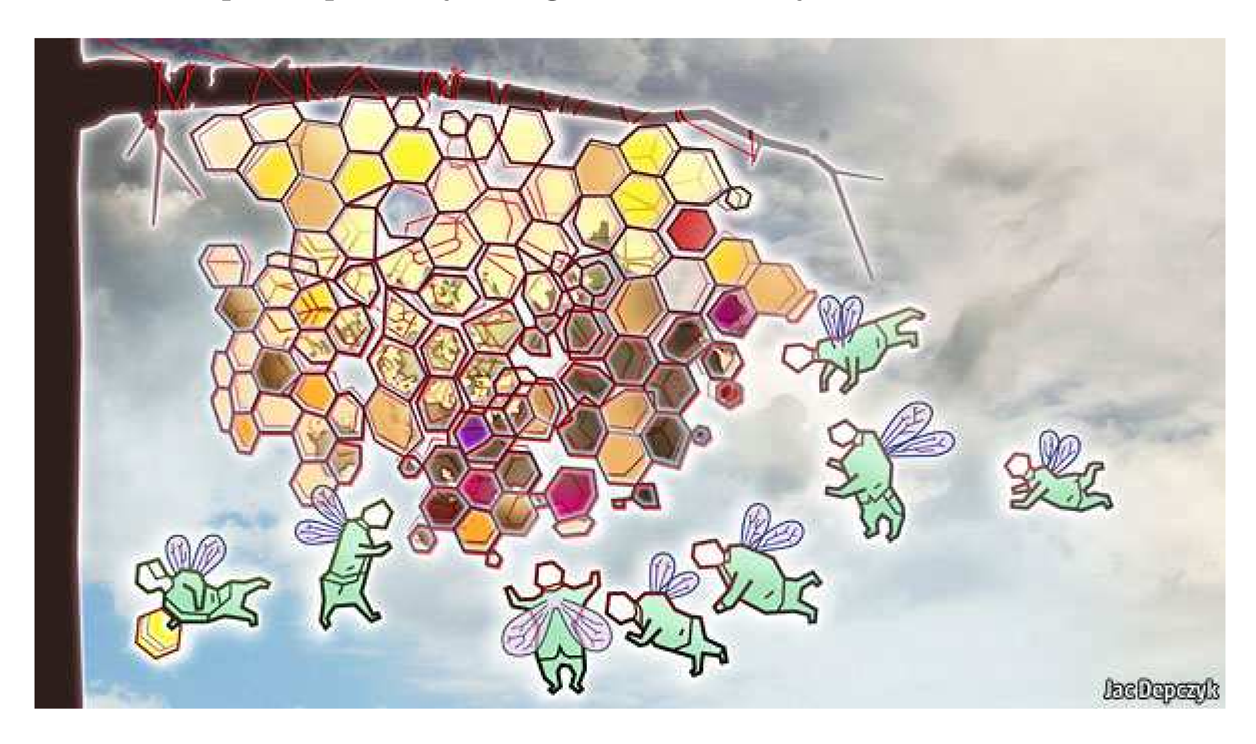
Ultimately, it will come down to money. The implied premium of the NASDAQ/ICE bid has fallen as Deutsche Borse's share price has climbed in recent weeks, meaning that shareholders have less to gain from backing the hostile bid. And there is talk of NYSE Euronext issuing a special dividend before its shareholders vote on the German deal on July 7th. But the premium might widen again, and the other side could always raise its offer. Seconds out, round two...

Index | Finance and Economics

Economics focus

Safety thirst

A shortage of safe assets helps to explain why some government-bond yields are so low



LAST month Standard & Poor's, a ratings agency, lowered its assessment of American public debt from "stable" to "negative", saying there was a one-in-three chance that it would lose its triple-A credit rating within two years. The warning was the first since S&P started to grade Treasury bonds 70 years ago, and it reflected concern that a workable plan to cut America's huge budget deficit would not soon be agreed upon.

The rebuke was stern but the response from financial markets was a jaw-breaking yawn. Treasuries rallied after a momentary wobble. The yield on the ten-year bond ended the day lower. Stockmarkets fell but regained the lost ground within days. With the fiscal crisis in parts of the euro zone barely contained, such insouciance seemed odd. But it has not been confined to America. Last year Japan's public debt climbed to 220% of its GDP. Yet the yield on ten-year Japanese government bonds fell below 1% in the summer, and the yen soared against other currencies.

Yields on some sovereign bonds seem to offer little protection against the risk of future inflation or default. Why don't investors demand more? One answer is that the desire to set aside money may be so strong that savers do not require high prospective returns. Japan's private saving has been high enough to absorb all its government's debt issuance with plenty left over to buy foreign assets. The poor in parts of Africa and India even pay deposit collectors a fee (ie, a negative interest rate) to mind their rainy-day cash. Where finance is rudimentary and trustworthy stores for saving are scarce, people are often willing to pay to save.

In a similar vein, some economists believe that persistently low bond yields are explained by a worldwide shortage of safe assets. They argue that fast-growing emerging economies, with underdeveloped financial markets, have not been able to create enough trustworthy instruments (bank deposits, bonds and so on) to absorb their high savings. That has created excess demand for apparently safe stores of value in the rich world, such as American government bonds, pushing up their value and lowering yields. Much of this is held as foreign-exchange reserves.

These ideas were set out in 2008 by Ricardo Caballero of Massachusetts Institute of Technology, Emmanuel Farhi of Harvard University and Pierre-Olivier Gourinchas of the University of California, Berkeley*. Their work was part of a literature that sought to explain why poor countries were sending their savings to rich countries. Its genesis came in 2005 when Ben Bernanke, now the Federal Reserve's chairman, argued that America's lack of thrift was a response to a global "saving glut" seeking a home.

In a more recent paper, Mr Bernanke revealed that saving gluttons had indeed shown a marked preference for AAA American assets-but so had investors from richer regions. Four-fifths of China's excess savings between 2003 and 2007 were used to buy either Treasuries or bonds guaranteed by government-backed mortgage agencies. The capital washing from economies with surplus savings was less than a quarter of the AAA assets issued in America in that period-perhaps not enough to fully explain low bond yields. Inflows from Europe (financed by borrowing from other regions) provided additional demand for American bonds, putting further downward pressure on yields. In an intriguing twist, Europeans in search of higher yields bought "private-label" mortgage bonds that proved less safe than the agency-backed and sovereign debt that Asian investors plumped for.

The financial crisis did not end the asset shortage, say the theory's proponents. Instead it became more acute. There is now extra demand for safe assets. Rich-world consumers are saving harder to pay down debts and cautious businesses need somewhere to park their surplus cash. Meanwhile, the supply of assets seen as safe has shrunk, as Mr Caballero notes in a recent paper. Cautious investors now shun mortgage-backed securities and the riskier sort of euro-area government bonds. Central-bank purchases have further reduced the available stock of safe assets.

No safety in numbers

A troubling finding of the literature is that attempts to soak up excess savings serve only to undermine the safety of the assets supplied. Faced with strong foreign demand for AAA-rated securities, American banks had a strong incentive to create supposedly safe ones from packages of risky home loans. The continuing scramble to buy sovereign bonds means there is little pressure on some governments to put in place the kind of medium-term fiscal discipline needed to keep those assets safe. As long as bond yields stay low, warnings from ratings agencies can be ignored.

Indeed the rapid growth of emerging-market economies may in time create a demand that America's government cannot safely meet. That is one conclusion of a report prepared for the French presidency of the G20 by Mr Farhi, Mr Gourinchas and Helene Rey of London Business School. They highlight a new version of a tension that Robert Triffin, a Belgian economist, identified in 1960. He predicted that the growing world demand for dollars to finance trade would mean that the currency could not maintain its fixed value against gold. The modern Triffin dilemma is that strong foreign demand for Treasuries for saving purposes might eventually outstrip America's fiscal capacity.

A more optimistic view is that the saving glut is temporary. Ageing in China will curb its saving and a spreading investment boom in emerging markets will soak up what is left. If that happens, economists will stop worrying about scarce assets and start fretting about scarce capital. A single idea cannot explain everything, but the asset-shortage theory helps with some current puzzles, such as the strong demand for both government bonds (a bet on low inflation) and gold (a hedge against high inflation). It is also a warning: what is safe now may not always be so.

"An Equilibrium Model of 'Global Imbalances' and Low Interest Rates" by Ricardo Caballero, Emmanuel Farhi and Pierre-Olivier Gourinchas, American Economic Review (2008)

"The Global Saving Glut and the US Current-account Deficit" by Ben Bernanke (2005)

"International Capital Flows and Returns to Safe Assets in the United States" by Ben Bernanke, Banque de France Financial Stability Review (February 2011)

"A Caricature (Model) of the World Economy" by Ricardo Caballero, MIT Department of Economics Working Paper 10-17 (November 2010)

"Reforming the International Monetary System" by Emmanuel Farhi, Pierre-Olivier Gourinchas and Helene Rey (March 2011)

Climate change and crops

Hindering harvests

Changes in the climate are already having an effect on crop yields-but not yet a very big one



THE problems climate change looks likely to bring in the future may increasingly be visible in the records of the past. Not just in the far-off ages of surging sea levels following ice-age thaws, spikes in prehistoric temperatures correlated with natural releases of greenhouse gas and ancient civilisations brought low by drought, but in records from living memory-which are based on reliable measurements made at the time. Using such data researchers have now compiled an estimate of global changes in crop yields which can be put down to recent increases in temperature and decreases in rainfall (the world as a whole is getting wetter, but the rain has stayed away from some agricultural plains). The bad news is that they find that climate change has lowered the amount of maize (or corn, if you prefer) and wheat produced in a given area. The good news is that the effect is so far reasonably small.

David Lobell and Justin Costa-Roberts, of Stanford University, and Wolfram Schlenker, of Columbia University, first put together temperature and precipitation figures for the parts of the world where four staple crops-wheat, maize, rice and soya-are grown. Those four crops, between them, account for about 75% of the calories people end up eating, although a lot of the soya is fed to animals first.

It turns out that during the seasons in which crops grow, these arable areas had on average become significantly warmer in the 29 years after 1979. Some bits of Europe that grow wheat, for example, have heated up by a couple of degrees since 1980. The researchers then assembled models of how the yields changed from year to year, and against the longer trend, to

find changes linked to temperature and rainfall that are independent of improvements through better farming. Finally they compared today's yields with what their models say yields would have been with today's farming but in the 1980's climate.

Popping corn

For both wheat and maize, the results, published this week by *Science*, were negative. Globally, wheat yields are down 5.5% compared with what they would have been with no climate change, and maize yields are down 3.8%. For soya, some places saw improvements, some saw damage, with no real net effect on the global scale. For rice, warming brought a clear benefit for crops at higher latitudes and some losses in warmer places. Temperature played a bigger role than precipitation. The results seem to fit with previous studies into such effects in individual countries.

But there are caveats. For example, the analysis does not track changes over time in the areas being farmed, using instead a crop map from around 2000. And many agronomists hold that relying on year-to-year yield changes for modelling exaggerates the damage due to longer climate shifts. Farmers will tend to adapt. That said, subtler effects of climate change such as more sudden rains and particularly hot days with disproportionate effects on yield are left out, which might mean the study underestimates the effects.

Some people will be surprised, even dismayed, that comparatively modest climate changes are already doing measurable damage. But in context, it is quite small. Yields have been going up around the world despite the warming climate-and over 29 years those increases swamp the estimated global reductions due to climate. The sort of loss that climate change inflicts in a decade is often the sort of gain that better farming brings in a year. What is more, for wheat the increasing level of carbon dioxide that is changing the climate also makes photosynthesis easier, which should have increased yields enough to wipe out perhaps half of the climate-related loss (maize, which photosynthesises in a different way, is thus the bigger loser of the two in net terms).

Then there is a point made by Richard Tol of VU University Amsterdam: farm yields show the worst of the situation. Easily achievable improvements in roads, markets and other things can increase the availability of food a lot even if farm yields stop rising. And people can adapt, at least to lowish levels of change; indeed the study provides evidence to help them do so as it shows which crops in a given country are the most affected by global warming. So Malthus looks beatable even when he sits astride the apocalyptic horse of climate change.

Moreover, there is a simple way more or less to abolish the effect of climate change on yield to date. According to William Cline of the Peterson Institute for International Economics in Washington, DC, at least 4% of the world's grain is used to make ethanol for fuel. Most of this is doing little good for the environment, and stopping subsidies for such fuels would boost the supply of grain for feeding people on a scale similar to the hit that the past three decades of warming have provided.

Still, in a world where more than a billion people are undernourished and the population is still growing, every little hurts. The net effects of climate and carbon dioxide, Dr Lobell and his colleagues calculate, is to make grain prices about 5% higher than they would otherwise be. Dr Lobell reckons that means about $50 billion a year. In some countries the effects are particularly large: climate change means Russian wheat yields are more than 10% down. As Mr Cline points out, growth in yields has slowed recently. And climate effects could speed up. Earlier work by Dr Schlenker has showed that plants have skewed preferences: they dislike temperatures beyond the optimum more than they dislike temperatures below the optimum, so increasing warmth can have worsening effects beyond a certain point.

That might be keenly felt if patterns of warming shift. One of the reasons that the climate effects Dr Lobell and his colleagues have dug out of the data are not worse is that, although the planet as a whole has warmed up during the past 30 years, growing seasons in the parts of America which produce 40% of the world's maize and soyabeans have failed to follow suit. No one is quite sure why this might be and no one knows if it will last. That climate change has not yet done very much harm may be cheering, but the past offers no firm guarantees for the future.

Index | Science & Technology

Animal behaviour

Bats building bonds

Some bats live in belfries. Others prefer tents



It's cosy in here

ZOOLOGY is a field in which you have to put your boots on and go out in search of the data. Sometimes, though, you can answer questions by adding up what has already been found. So it was with Maria Sagot and Richard Stevens, of Louisiana State University in Baton Rouge. They were interested in the habit certain groups of bats have of building collective tents in which to shelter, using tree leaves. They thought that there might be a link between how socially integrated a bat colony is and the nature of its tents. Indeed, there is. But the details of the link surprised them.

Twenty-two species of bat are known to be tentmakers. Some stick together for long periods, but for others the association is transient. Likewise, some tents last for a long time whereas others fall to pieces rapidly. Presumably, these things are correlated: a group stays together because its dwelling is built to last.

Ms Sagot and Dr Stevens were able to gather relevant data from previous studies on 15 of the 22 species. As they report in *Biotropica*, ten of these 15 build their tents from palm leaves and other sturdy plant materials. Such tents often survive for more than a year. The other five species usually have only herbaceous plants available. They end up building tents that fall apart after less than two months. Socially, only four of the 15 species are known to form groups that last for more than a year. These, it might be expected, would be among the favoured builders-from-palm.

But they are not. To their surprise, Ms Sagot and Dr Stevens found that all four of the most sociable species are among those forced to use herbaceous plants, and thus to build ramshackle homes. Longevity of dwelling-place, then, does not promote longevity of society. Indeed, the opposite seems to be true. The need to build a new place to live every few weeks trumps familiar domestic comfort as a promoter of social cohesion.

It is possible that only collaborative species are able to get away with the nomadic life imposed by having to use herbaceous plants as building materials. But that seems less likely than the alternative. For a start, the four collaborative species are unrelated, suggesting that a propensity for cohesion has evolved independently. More prosaically any animal, regardless of how social it is, would presumably prefer not to have to move house regularly. That there are no highly social bats which build long-lasting tents suggests it is the instability of the dwelling that is driving the evolution of the behaviour. As in people, so in bats: adversity promotes solidarity.

Index | Science & Technology

Avian malaria and climate change

Bite the birds

Malaria among birds is becoming more prevalent

MOSQUITOES, which carry malaria parasites, like the warm and wet conditions that are expected to become more common with climate change. This has led many to reason that malarial infections will increase. Yet studies run into the unreliability of modelling future climatic effects and sometimes ignore changes in land use and health care. However, a new analysis of the spread of avian malaria shows that for the birds, at least, there is a real worry.

Laszlo Garamszegi, of the DoÃ±ana Biological Station in Spain, studied patterns of malarial infections in birds to avoid confounding human factors in determining the epidemiology of a closely related parasite. He looked at 43 previous studies that had carefully screened 3,000 bird species for malaria in different locations over the past 70 years. He found that an increase in global temperatures of 1^C was accompanied by a two- to threefold increase in the average prevalence of malaria in birds. The most dramatic increases took place during the past 20 years.

Dr Garamszegi's work, published in *Global Change Biology*, found that the house sparrow (*Passer domesticus*) showed a malaria prevalence that was less than 10% before 1990 when worldwide temperatures were cooler, but in recent years nearly 30% were infected. The great tit (*Parus major*) presented a similarly worrying increase, with less than 3% infected with malaria before 1995 but closer to 15% in recent studies. The blackcap (*Sylvia atricapilla*), a migrant bird common in Europe that breeds in gardens, once had virtually no avian malaria but a study in 1999 showed nearly 4% had the disease.

The effects of warming on avian malaria were not universal. Birds is Asia, North America and South America suffered much less change in their levels of infection during warm years than did birds dwelling in Africa and Europe. Such trends may not have any relevance to the malaria parasites that infect humans. But avian malaria is already ravaging the native birds of Hawaii and it is now wreaking havoc in New Zealand, says Dr Garamszegi. Human beings may be able to mitigate the spread of malaria, but birds will need the help of conservationists if some species are to survive.

Index | Science & Technology

The land-speed record

How to build a 1,000mph car

Hybrid rocketry will be used to drive faster than ever before



It looks quick, too

THIS summer Daniel Jubb will perform the equivalent of lighting the blue touch paper and standing clear. The 27-year-old will undertake the first full test firing of a hybrid rocket which he has designed to help a British team set a new land-speed record by driving at 1,000mph (1,609kph). Mr Jubb's rocket, however, will also need the assistance of a powerful EJ200 jet engine from a Typhoon fighter aircraft and a Cosworth Formula 1 racing engine if *Bloodhound SSC* (supersonic car) is to become the fastest thing on wheels.

Combining a rocket, a jet and a racing-car engine into one vehicle is engineering of an extreme sort, but record-breaking often demands that new problems be solved. Mr Jubb's task was to build a rocket that could be used safely in a car, but was also controllable and could be switched off quickly in the event of an emergency.

A rocket works by burning fuel with an oxidiser, which provides a source of oxygen for combustion. The hot exhaust gases are then blasted through a nozzle to produce thrust. Rockets using liquid propellants can be shut down reasonably easily by turning off the pumps delivering the fuel and oxidiser, but they tend to be complex and their propellants, such as liquid hydrogen and liquid oxygen, difficult and hazardous to handle.

Solid-fuel rockets, in which the fuel and oxidiser are pre-mixed into a stable, solid propellant and then packed inside the case of the rocket, are simpler, lighter and relatively safer. But once a solid-fuel rocket is ignited, it is off like a firework and keeps going until all the fuel is burned up. About the only way to stop it is to blow it apart. In a car, that would not do.

Rubber power

The hybrid design which Mr Jubb has come up with uses a solid fuel called hydroxyl-terminated polybutadiene, a form of synthetic rubber used to make things like aircraft tyres. It is contained within the case of the rocket, into which is pumped a liquid oxidiser called high-test peroxide (HTP), a concentrated form of hydrogen peroxide which is relatively safe to handle. When the HTP comes into contact with a catalyst contained within the rocket, it turns into steam and oxygen. And it does so at a high enough temperature to ignite the solid fuel. This provides the added advantage of not having to build an ignition system into the rocket.

If the hybrid rocket needs to be shut down in a hurry all you need do is turn off the pump delivering the oxidiser. That is where the Cosworth engine comes in. Apart from generating auxiliary power for *Bloodhound SSC*'s electrical and

hydraulic systems, it also drives a high-speed pump capable of delivering all 800 litres of HTP in the tank to the rocket in 20 seconds.

The rocket gives the car plenty of power, but it is either on or off. To provide some form of throttle to allow acceleration and deceleration, the vehicle's designers added the EJ200 jet engine. This will be used by Andy Green, a Royal Air Force pilot who will drive the car, to get the vehicle moving. At about 200mph he will start the pump to deliver the HTP into the rocket.

At first there will be a stream of steam coming from the rocket. But then ignition gets going and at full blast the jet and the rocket will each provide about half of the 210,000 newtons (47,000 pounds) of thrust needed to break the record. At about 750mph the car will go through the sound barrier. Wing Commander Green has been there before-and not only in a fighter plane. In 1997 at Black Rock Desert, Nevada, he drove *Thrust SSC* to become the first person to break the sound barrier in a car and set the existing land-speed record of 763mph. This time the Nevada desert will not be big enough, so the attempt will take place over an even larger expanse of flat ground at Hakskeen Pan in the Northern Cape in South Africa, perhaps next year.

Bloodhound SSC could reach up to 1,050mph. Wing Commander Green then has to slam on the brakes. After turning off the jet and rocket he will deploy an air brake at 800mph, parachutes at 600mph and finally put his foot on a car-type friction brake at 250mph-any faster and the brakes could explode.

Then the car is serviced and refuelled to do it all over again. This is because the Federation Internationale de l'Automobile, which keeps the land-speed records, takes as its measure the average of two runs over one mile in opposite directions completed within one hour.

The attempt is being organised by Richard Noble, a veteran British record-breaker, and is sponsored by a number of companies. Mr Jubb's firm, The Falcon Project, was one of the first to step forward-and into the limelight. He usually designs and manufactures secretive military rockets in Britain and the United States. Construction of *Bloodhound SSC* has begun at an apt location: a borrowed warehouse on the dockside in Bristol next to Isambard Kingdom Brunel's *SS Great Britain*, which in 1845 crossed the Atlantic in a record 14 days.

Unusually for such an enterprise, all the technical details, including computer-aided design files, are available online (bloodhoundssc.com). Mr Noble is involving schools in the project to encourage interest in engineering as a career. So far, more than 4,000 schools are taking part. This was part of a deal with Britain's defence ministry in order to borrow the EJ200. It is to be hoped, though, that none of the children will try to build one of these cars at home.

The Mediterranean

The devil and the deep blue sea

History's most important sea

The Great Sea: A Human History of the Mediterranean. By David Abulafia. *Allen Lane; 783 pages; pound30. To be published in America in September by Oxford University Press; $34.95.* Buy from Amazon.co.uk



DAVID ABULAFIA'S marvellous history of the Mediterranean is an excellent corrective to oversimplified views of geopolitics. Some people home in on distinctive landmasses, an island such as Crete or a clear shape like Iberia or Anatolia, and assume these have long formed a single cultural or political space, embracing coast and interior, and different from places "across the water". At the other extreme, romantic types regard a lake or sea as a friendly space where ideas, expertise and merchandise are traded to perpetual mutual advantage. The second view is the more likely. True, the various ports and shores of the Mediterranean influenced one another (if war is regarded as a form of influence), but the impact of hinterlands and of distant powers, like Russia and America, was also huge.

Marshalling a vast array of intricate detail, Mr Abulafia takes the reader from the age of the Phoenicians and Trojans to the advent of modern tourism. He distinguishes epochs when the sea was kept safe by a single power-the Roman empire, the Royal Navy or the Sixth Fleet-from periods of intense strategic conflict and from times of free-for-all between small powers, slave-traders and pirates.

In most phases of history, Mr Abulafia shows, the Mediterranean was a net exporter of economic and cultural might. In the Middle Ages, for example, city-states in present-day Italy or Spain traded from a position of strength with north European suppliers of textiles and north African sellers of gold. They also established bases in the eastern Mediterranean, exploiting Byzantium's decline, gaining access to merchandise from farther east. In the modern era the Suez Canal reduced the role of the sea to that of thoroughfare, between the Atlantic and Asia.

Mr Abulafia enjoys using arcane detail to bolster his arguments. Explaining the rise of Barcelona as a naval power to rival Italian city-states like Pisa and Genoa, he notes the balanced diet of Catalan sailors: more biscuit and cheese than the Venetians, less wine than the Neapolitans, but plenty of garlic, onions and spices to make hard biscuits more palatable.

Choosing his superlatives carefully, he concludes that the Mediterranean has been "the most vigorous place of interaction between different societies on the face of this planet". Indeed, its role in the history of civilisation has "far surpassed [that of] any other expanse of sea". But as the book makes clear, these interactions were not always mutually beneficial.

The cargoes transported across the Mediterranean included terrified slaves and prisoners (like the apostle Paul, whose ship was smashed to pieces) as well as exotic spices. Voyages, whether military or commercial, were undertaken in a spirit of ruthless calculation, not open-hearted adventure. Despite the warm feelings it now evokes in north European hearts, as a locus of healthy food and blissful ecology, the Mediterranean is a perilous place for sailors. In winter, storms can brew up fast and rage for days. That is one reason why Mediterranean people who make their living from the sea do not share the romantic emotions of those who splash about for fun. Indeed before the age of tourism not many littoral folk learned to swim; the risk of drowning was too high.

Cross-fertilisation between cultures and religions did, of course, take place, often despite the efforts of secular and religious leaders to stop it, or to ensure that influence only flowed one way. In Tunis you can see the tomb of a Majorcan friar who studied Islam in Bologna and then moved to north Africa where he became a learned and distinguished Muslim.

Mr Abulafia notes with approval that Sephardic Jews, such as his own forebears, forced to leave Spain for Ottoman Smyrna, have been especially open to integration with surrounding cultures. Whereas modern Judaism celebrates the Jewish revolt against the Hellenised dynasty that ruled the Levant, Mr Abulafia prefers to focus on Alexandria, where there was a more productive symbiosis between Hellene and Hebrew. Its fruits include a great Greek translation of the Hebrew scriptures and Philo's brilliant exposition of Jewish metaphysics-written in Greek.

Mr Abulafia is too conscientious a historian to speculate much about the future, or even to prejudge how the modern age will fit into the sweep of Mediterranean history. But using his analytical tools, it is surely possible to sketch out a rather dark outlook for the sea, thanks not just to the ebbing of European power but to avoidable crises of governance and demography. As things stood until recently, an unhealthy sort of system linked northern and southern Europe, with subsidies and tourist euros from the north helping to mask and preserve dysfunctional politics and sclerotic societies south of the Alps.

An even less healthy dynamic connected Europe as a whole with north Africa: the European Union absorbed some of the Maghreb's surplus labour, while helping to prop up the region's authoritarian regimes. Both those political ecosystems are now collapsing, with the euro-zone crisis, the advent of Arab people power and the war in Libya. The crises present a challenge to both regions; the Maghreb needs to loosen political control and strengthen its institutions and Europe must support such moves, both politically and economically. Failing to seize the opportunity may result in the flow of desperate people northward becoming uncontrollable. That may not be so unusual when set against three millennia of conflict in the Med. The worst outcome would be for Europe and north Africa, both losing relative weight in the world, to reinforce one another's decline. That would be a lamentable fate for the "Great Sea", invoked in a Jewish prayer which gives this book its title.

Index | Books & Arts

Pakistan

Hard road ahead

The forces of destiny

Pakistan: Beyond the "Crisis State".*Edited by Maleeha Lodhi. Columbia University Press; 320 pages; $24.95. Hurst & Co; pound16.99.* Buy from Amazon.com, Amazon.co.uk

FOREIGN authors, both journalists and academics, have brought out a number of books on Pakistan recently. This collection of essays edited by Maleeha Lodhi, a former Pakistani ambassador to Britain and America, is timely and different: a look at Pakistan by seasoned, hard-nosed Pakistanis who know the troubled nation from the inside, toil to set it right and don't always agree with each other.

Ms Lodhi's aim is to move the debate about reform in Pakistan beyond the arguments of the past. One essay, "The Past As Present", by Ayesha Jalal, a professor of history at Tufts University, refers to Saadat Hasan Manto, one of the nation's most perceptive 20th-century fiction writers, to isolate the biggest problem. Ordinary Pakistanis, wrote Manto in 1951, were reduced to silently watching the world's richest and most powerful country, the United States, arm one of the poorest and weakest. "My country is poor", Manto asked," but why is it ignorant?" This is a question asked today by all manner of Pakistanis who are concerned about the consequences of American largesse to the Pakistani military with only small scraps of civilian assistance.

Ms Lodhi in her contribution broadens the theme of Pakistan as client state, arguing that it is time to mobilise the emerging Pakistani middle class as a counter force to the tired old political parties. The lawyers' movement of 2007 that helped unseat President Pervez Musharraf served as an example of what can be achieved, she writes. Unfortunately, Ms Lodhi, who was the Pakistani envoy in London at the time, ignores the uncomfortable fact that the excitement about that heady movement has now fizzled out, eaten up by internal squabbles and poor leadership.

Both in London and Washington, DC, Ms Lodhi was privy to insider information. Here she describes what drove the British and the Americans in 2007 to try to bring back Benazir Bhutto, a manoeuvre that showed beyond all doubt the depth of Pakistan's doleful *rentier* status.

In Islamabad the British high commission noted a secret public-opinion survey of 2005 that showed that Mr Musharraf, the West's Pakistani ally against terrorism, would lose the next election to Bhutto's Pakistan People's Party. Based on these results, Britain and America were able to persuade Mr Musharraf to accept Bhutto, then in exile, as a partner. Bhutto extracted her own concession: forgiveness of the myriad corruption cases against her and her husband, Asif Ali Zardari. Of course, history did not turn out quite as the Western powers had planned. Bhutto was assassinated, Mr Zardari became president, and Pakistan lives on with a weak civilian government and growing corruption.

The rivalry with India must be resolved if Pakistan is ever to become a normal state: that is the blunt message of Syed Rifaat Hussain, professor of strategic studies at Quaid-i-Azam University in Islamabad. Mr Hussain offers a valuable but depressing reprise of the recent and failed diplomatic efforts to end the standoff between the two countries. It is essential, he says, to solve the core issue of Kashmir, a matter that for now has been left to fester. If India and Pakistan ever managed to bury the hatchet, the two nations could even become friendly neighbours. Their insistence on nuclear capability might be reduced and the Pakistani economy would benefit immeasurably. This is the optimistic outcome that this intelligent book is rooting for. Given the events of the past few days, though, that end may take even longer to realise.

Index | Books & Arts

Baseball history

Game changer

How he changed the face of baseball-for better and for good

The House That Ruth Built: A New Stadium, the First Yankees Championship, and the Redemption of 1923. By Robert Weintraub. *Little, Brown; 420 pages; $26.99 and pound26.99.* Buy from Amazon.com, Amazon.co.uk

FOLLOWERS of other sports argue about their "best-ever": Jack Nicklaus versus Tiger Woods in golf; Don Bradman versus Sachin Tendulkar in cricket; and umpteen contenders for the title of best boxer pound-for-pound. Baseball is different. Here Robert Weintraub, a leading American sports columnist, is able to claim that just one man, Babe Ruth, is "by general consensus the most important and greatest player in the game's history."



Pitch battle

Mr Weintraub's main theme is the role Ruth played in the 1923 season, when the New York Yankees famously won their first World Series after moving to a brand-new stadium in the Bronx. His far more interesting sub-theme is how Ruth's might helped change the character of baseball for the better and for good.

Pre-Ruth the prevalent style of play was known as Scientific Baseball or Inside Baseball. "Runs came at a premium, earned with difficulty through cunning, aggression and patience. They weren't so much scored as crafted. The sacrifice hit, the stolen base and hit-and-run play...It was the baseball equivalent of the trench warfare in France. Nothing came easily."

John McGraw, manager of the then New York Giants, was the chief proponent of Scientific Baseball. He saw the home run as an abasement of the game he loved, a cheap, undignified method of scoring runs. Ruth's slugging thrilled the crowds, broadened baseball's appeal and filled the stands, but for McGraw he was a mere slugger, "the Big Baboon" or "the Big Ape".

Ty Cobb, a rival baseball star, was even ruder. He fanned the slander that Ruth seldom took a bath by sniffing hard and pretending to detect a horrible smell whenever the slugger came near him. McGraw was the loser. In 1920 the rules of baseball were changed to favour batters. Pitchers were forbidden to give the ball an artificial spin or trajectory by, for instance, nicking it or spitting on it and from discolouring the ball with dirt or tobacco juice or hair grease. And a new ball would be used whenever the one in play showed any sign of wear. Taking advantage of the new "live ball" rules, Ruth alone clubbed 54 home runs in his first year with the Yankees. No other team made more than 50.

After Ruth wowed mainstream America, there was no turning back. A run he hit in the 1923 World Series against the Giants was described by an awed sportswriter as "a wallop that sounded like a barrel of crockery being pushed down the stairs". The ball rocketed more than 300 feet off the ground, and far beyond the right field roof of the Giants' Polo Grounds-a blast later estimated at 475 feet (144.8 metres).

As Mr Weintraub says, by dethroning the Giants, the Yankees and their bashing style had accelerated the decline of Scientific Baseball. The national pastime was no longer a game for the purists. Support for baseball exploded and the new fans wanted home runs and lots of them. "Hitting and running and stealing and spiking-McGrawism-were for the birds. Totally wet. The Ruthian scene was the one that people wanted to be part of."

Thomas Wyatt

Poetry on power

A king and his whims

Graven With Diamonds: The Many Lives of Thomas Wyatt, Courtier, Poet, Assassin, Spy. By Nicola Shulman. *Short Books; 352 pages; pound20.* Buy from Amazon.co.uk

THE life of Thomas Wyatt is well worth knowing. He was a Tudor courtier and ambassador, knight and intellectual; possibly the lover of Anne Boleyn, and certainly the protege of devious Thomas Cromwell, now of "Wolf Hall" fame. Wyatt's handsome face, heavily bearded and fashionably hatted, was drawn by Hans Holbein the Younger, for he was one of the stars of the court of Henry VIII-and therefore a man in continual danger. Twice he was imprisoned for suspected treason, once in chains in the Tower of London.

He was also a poet. His poems have worn badly, though. To modern ears they seem tediously complaining and conventional, catching brief fire only when he tries to imitate Petrarch, whose sonnets he helped to popularise in England. Nicola Shulman, however, is on a mission to bring them back to life. She reminds us that they were originally written as semi-secret court entertainments, scribbled on bits of paper and passed from hand to hand, like jewels or flowers, as part of love-games. They might also have a more serious purpose: at a time when people's fortunes rose or fell with the king's whims and his amours, they could act as warnings.

Take heed betime lest ye be spied
Your loving eyes ye can not hide
At last the truth will sure be tried
Therefore take heed!

So far, so fascinating. But, in a strange way, Ms Shulman seems only half-interested in Wyatt, whose life she continually picks up and drops again. Her book (and all the publicity material eagerly confirms it) is really about Henry VIII, his court and his wives; and it is concerned with proving that, at this time and place, "poetry made things happen." Into this thesis everything is crammed. Wyatt's verses occasionally help her; some, mentioning "Brunet...that set my wealth in such a roar", seem indeed to prove his passion for Anne Boleyn. But since they are all undated, and since very few, save his moving lines from the Tower, contain biographical detail, their function in this book is mainly to paint a mood or underline a thought; and these are often other people's thoughts, not his.

Ms Shulman argues her case with spirit, and often with a winning turn of phrase: Catherine of Aragon's gown is "stiff with reproachful pomegranates", and the lovebirds of the 1530s "held twigs of Chaucer in their beaks". The wonderful Holbein portraits alone are worth the price of purchase. But not one incident in this book happened because of Wyatt's poetry. Things happened because the king willed them; because favourites interceded; because people leaked secrets, or wanted revenge; because enemies plotted. When it comes to matters of state, these poems only comment and sigh from the sidelines. And because they are so formulaic, they seldom give us Wyatt. He can be found, boisterously, in his letters and especially his "Defence", which he wrote in 1541 to try to get out of the Tower:

Am I a traitor because I spake with the king's traitor? No, not by law, not unless that traitor is "helpen, counselled, advertised" by my word. There lyeth the treason, there lyeth the treason!

The reader needs much more of this Wyatt. Only at the end of the book does he command the space he deserves. Ms Shulman does well to bring the poems back to life, but in the course of overstretching her argument she forgets about the man.

Index | Books & Arts

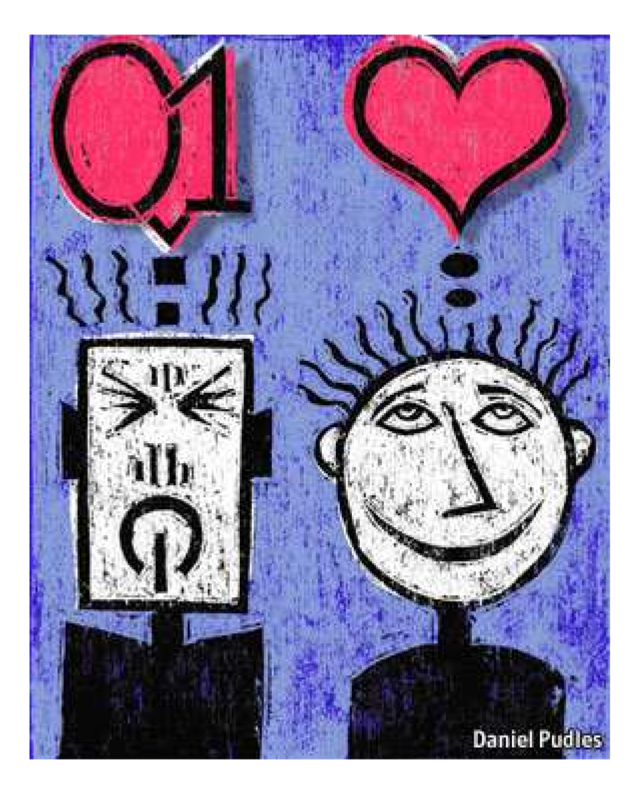
Artificial intelligence and humanity

Mechanical minds

The power of being human

The Most Human Human: What Talking With Computers Teaches Us About What It Means To Be Alive. By Brian Christian. *Doubleday; 303 pages; $27.95. Viking; pound18.99.* Buy from Amazon.com, Amazon.co.uk

WHAT does it mean to think? The question has bothered philosophers for millennia and computer scientists for decades. In 1950 Alan Turing, who pioneered artificial intelligence, devised a test to determine how well a machine can mimic mankind in an attempt to address whether computers can think. He argued that if a computer could fool a person into thinking that he was corresponding with another person, then it would be impossible for that person to tell whether or not the computer was thinking. Human judges have since been asked to distinguish between two correspondents, one man, one machine, in a competition held every year for the past two decades. Two years ago Brian Christian landed the task of persuading these judges he was not a computer. His account of the experience is entertaining and informative.



Human beings like to think of themselves as possessing unique capabilities such as being able to use tools, employ a language with syntactic rules and process complex mathematical equations. Aristotle argued that only people could reason. Yet the development of ever more powerful and complex computers has chipped away at these claims: the invention of logic gates, for example, allowed machines to make deductions and when IBM's Deep Blue computer defeated a chess world champion, Garry Kasparov, in 1997, mankind seemed to lose ground to machine.

Mr Christian is optimistic about humanity. He points out that computers have areas in which they are competent and others in which they are not. A computer can guide a missile, he notes, but not ride a bicycle. People may be replaced by robots on farms, in factories, call centres and laboratories but machines can only do work that lends itself to automation. He describes the rise of artificial intelligence as "maggot therapy: it consumes only those portions [of the job market] that are no longer human, restoring us to health."

Likewise the game played by Deep Blue serves to identify the whereabouts of creativity in chess, he argues. A computer can win through brute force by taking opening moves that lead to a game it has already played out and won. The game becomes interesting only when it treads on new territory and the computer is forced to recalculate in response to an original placing of pieces rather than continue down a well-worn path.

To prepare for his role in the Turing test held in 2009, in which contestants compete for the Loebner prize for the most convincingly human computer and the most convincingly human human, Mr Christian analyses how computers fool people into thinking they are human and what persuades people that they are indeed talking to a machine. He recounts a tale told by Robert Epstein, who co-founded the prize with Hugh Loebner. Mr Epstein was deceived into thinking he was exchanging long letters online with a woman over a period of four months when he was, in fact, talking to a chatbot. Mr Christian identifies what distinguishes a computer from a real person: a machine that analyses vast numbers of previous

conversations to identify a suitable response becomes inconsistent, for example, because its identity is actually that of many individuals. A chatbot lacks motive: it has no particular reason to say what it says and it speaks without really listening. People produce timely answers, correctly if possible, whereas computers produce correct answers, quickly if possible. Chatbots are also extraordinarily tenacious: such a machine has nothing better to do and it never gets bored.

No computer has yet fooled all those who judge the Loebner prize into thinking that it was human and that the person it was being compared with was a computer. But the contest has been close at times: in 2008 a chatbot deceived three of the 12 judges who interrogated it. The 2009 competition in which Mr Christian participated resulted in a resounding victory for humanity-and for Mr Christian, who won the "most human human" prize. Yet even if the computers were to triumph, the prize would be awarded not to the machines but to the people who created them.

"The Normal Heart"

Thumping, boiling and loving

Larry Kramer's seminal play about AIDS makes its Broadway debut



Dearly beloved

WHOEVER thought you could die just from having sex? Surely only the God of the Old Testament would imagine a plague that smites gay men just as they are starting to enjoy themselves. But in New York in the early 1980s a mysterious illness was suddenly ravaging these men. People would literally "cough, go home and then die in two weeks," says a former employee of the downtown Public Theatre at the time. "It was horrifying."

It was the Public that first staged "The Normal Heart", Larry Kramer's raging, rabble-rousing play about AIDS, in 1985. The HIV virus had just been discovered, but government officials were moving slowly, reluctant even to mention the epidemic by name. "Who cares if a faggot dies?" asks a doctor in the play. A meditation on gay men fighting for their lives, "The Normal Heart" went on to become the longest-running hit in the Public's history. Now, over a quarter of a century later, the show has arrived on Broadway, with both bark and bite intact.

"This play has an enormous number of ghosts," says Mr Kramer, who based the story on his own experiences, lovers and friends, many of whom are now dead. At nearly 76, he seems a little surprised to be alive himself, having been infected with HIV for decades. Much has changed since the play was first produced-HIV is no longer a death sentence. But Mr

Kramer, a longtime activist, is hardly counting blessings. "Gay people are hated in a huge part of the world, and we refuse to fight back."

The play centres on Ned Weeks, a nebbishy and combative gay man. Inhabited here by Joe Mantello (pictured with John Benjamin Hickey as Ned's lover, Felix). Ned is full of fury. He attacks the mayor, Ed Koch, for his negligence, the media for their silence and his fellow gay men for their sexual irresponsibility. His provocative antics get attention, but they also alienate his friends. Men who had finally achieved some kind of sexual freedom don't want to be bullied about their bodies. Meanwhile, Felix gets sick.

"The Normal Heart" is designed to grab viewers by the lapels and give them a good shake. Full of expository dialogue and dramatic monologues that carry on a few beats too long, the play is more agitprop than art. "I wanted to get the message out fast," Mr Kramer concedes. But it is also powerful and unfailingly moving, not only as an historic document but also for its unsparing look at physical deterioration and premature death. "We're still fighting the disease," says one theatregoer. Another marvels at how fresh the play feels, given the shame and recklessness that still bedevil gay people. "We don't have gay marriage, so we don't have role models for lives that aren't about loneliness, sex and drinking," he says. He is 28, and three of his friends are HIV-positive.

Elton John and his partner, David Furnish, may take this production to London. A film could also be in the works. Yet Mr Kramer is still angry-about the people who will needlessly die from the disease, about the cure that hasn't been found. "I don't want to lose my anger," he says. "There's work to do."

"The Normal Heart" is at the John Golden Theatre in New York until July 10th

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Index | Obituary

Osama bin Laden

Osama bin Laden, the world's most wanted terrorist, died on May 2nd, aged 54



WHEN he gave interviews to foreign journalists, which he did rarely, Osama bin Laden had a way of looking down at his hands. This, and his soft, slightly raspy voice, and his gentle eyes-as well as the fact that he allowed no instantaneous translation-helped conceal what he was saying: that it was the duty of all Muslims to kill unbelievers, especially Americans, and that when he had seen the bodies of the infidels flying "like dust motes" on September 11th 2001, his heart had filled with joy.

His mien was that of the sage, not the killer. He seldom shed blood himself, though his treasured Kalashnikov, which he carried everywhere, was said to have been wrested in single combat from a Russian soldier in Afghanistan. As a rule he observed from afar as "his boys" blew up the American base at Khobar in Saudi Arabia, or the *USS Cole* in Yemen (he wrote a poem about that, the little dinghy bobbing on the waves) or the American embassies in Kenya and Tanzania, where in 1998 more than 200 died. Terrorism could be commendable or reprehensible, he smoothly agreed, but this was "blessed terror", in defence of Islam. At first he denied any part in the 9/11 attacks, but at last pride got the better of him: yes, it was he who had guided his 19 brothers towards their "easy" targets.

How he really saw himself was as a construction engineer. Construction had made the bin Laden family fortune, $5 billion at least, from which he had inherited $25m-30m. (There had been much more, perhaps $250m, and a yearly stipend of $7m, until his native Saudi Arabia expelled him in 1991 and froze his assets; but Allah provided for his servant, and some of his several dozen half-brothers and sisters slipped him money.) In the 1980s he bought excavators, dump trucks and bulldozers, sometimes driving them himself, digging trenches for the *mujahideen* to fight along in Afghanistan against the Soviet invaders, blasting tunnels in the mountains for their arms dumps and field hospitals, until in 1989 the unbeliever-enemy withdrew in shame and disgrace.

He made roads in Sudan, too, when he was exiled there in the 1990s, including a new highway from Khartoum to Port Sudan. But he was mostly building his terror network, starting with the guesthouses and weapons he provided in Afghanistan through his *maktab al-khidamat* ("services office"), then creating al-Qaeda, "the base". Much of this was done with Abdullah Azzam, his religious mentor; later, the terror-work was directed by Ayman al-Zawahiri and others; but it was he who first recorded, in hundreds of individual files, the details of each eager recruit, the date of arrival, what he had done for the cause. Keenly, he followed the media coverage of the atrocities he inspired, playing the world's press like a violin when he chose. He built the brand and turned it into a global franchise; his face advertised it, even as he disappeared. If just two fighters held up a piece of cloth with "al-Qaeda" on it, he said proudly, American generals would run to the place in swarms.

His mind and approach were those of a businessman. The same caution that characterised his fugitive existence in Afghanistan and Pakistan-avoiding phones, the internet, even watches, anything that might be used to track him, slipping from cave to safe house to compound-featured in his investments, which were profitable and practical. No political ideology guided him, though he might lie for hours at night thinking, or read for most of the day. The polite, pious rich boy, who had left university without a degree, became neither an intellectual nor a visionary.

Pure rage was all he needed, roused especially by the Israeli invasion of Lebanon in 1982 and the arrival of American troops in Saudi Arabia, on the holy ground of the two mosques in Mecca and Medina, in 1990. Hatred of America had tormented him for as long as he could remember. To drive out the infidels, to establish Palestine and destroy Israel, to eject the "heretics" who ruled in Saudi Arabia, to purify Islam itself with Wahhabist fundamentalism, were his ambitions. If they boiled down to a doctrine, it was a violent form of *jihad*, the holy duty of all Muslims, to make God's word victorious; or just what he called "reciprocity", an eye for an eye.

Facing the assassins

Somewhere, according to one of his five wives, was a man who loved sunflowers, and eating yogurt with honey; who took his children to the beach, and let them sleep under the stars; who enjoyed the BBC World Service and would go hunting with friends each Friday, sometimes mounted, like the Prophet, on a white horse. He liked the comparison. Yet the best thing in his life, he said, was that his *jihads* had destroyed the myth of all-conquering superpowers.

The price set on his head for more than a decade never bothered him, for Allah determined every breath in his body, and could ensure that the bombs dropped on his hideout at Tora Bora, or on his convoy through the mountains, never touched him. His martyr's time would come when it came. The difference between pure Muslims and Americans, he said, was that Americans loved life, whereas Muslims loved death. Whether or not he resisted when the Crusaders' special forces arrived, their bullets could only exalt him.
